

Cabinet will not rush through labour legislation

The Government is anxious not to court defeat on its industrial relations policy and will not be rushed into new legislation on secondary industrial action, Mr James Prior says. In a warning against an attack on trade union rights, Mr Len Murray said "there is going to be trouble".

Mr Prior says failure cannot be risked

By David Felton
The Government will not be rushed into introducing new laws on secondary industrial action because of the steel strike, Mr James Prior, Secretary of State for Employment, said yesterday. It was imperative that the Government's industrial relations policy should succeed, he said.

"I cannot stress too strongly that if the Government gets its industrial relations policy wrong this time round the outlook for the country is very bleak indeed."

"In the last 15 years we have had three different governments defeated on this issue and we cannot afford to let it happen again", Mr Prior said.

"If we suddenly tried to push two or three clauses of this particular Bill through Parliament now, in a great rush, it would be immediately highlighted in the public and union mind and I think would almost certainly fail as a result."

A warning that the Government would face strong union opposition came from Mr Len Murray, general secretary of the TUC, who said last night: "If there is a full frontal attack on trade union rights, there will be a full frontal defence by the trade union movement."

"This Government has no mandate to take away basic democratic rights of trade unions and we shall continue to make that clear to them. The Government has seized the initiative and we shall have to respond", Mr Murray said.

He would not be drawn on the kind of action the TUC may recommend. "That is difficult to predict, but anybody with eyes in his head can see that there is going to be trouble. Our people feel they are under attack on the industrial front, economic front and the legislative front", he said.

The Government's proposals to outlaw some forms of secondary industrial action in the wake of the House of Lords' ruling on the private sector steel strike last week, are to be published in the next two or three days.

The consultative document on a secondary blacking, which will take the form of a memorandum to the Employment Bill now going through the committee stage in the Commons, will be sent to the TUC and the Confederation of British Industry later this week.

It is thought the Government wants to keep the consultation period as short as possible so that the amendment can be quickly laid before Parliament.

Mr Prior, speaking on the BBC radio programme *The*

World This Weekend, said the amendment would seek to "narrow" the wide range of immunities that trade unions enjoy at the moment, including immunity from action being brought by employers for breach of contract where the employer was not directly involved in a trade dispute.

"Where they (union members) are drawn out for reasons nothing to do with an industrial dispute at all we shall seek to stop it. The point of difficulty is to be precise as to how you draw up legislation that brings about that narrowing."

He refused to comment specifically on the House of Lords' decision on Friday which overruled Lord Denning's granting to the private steel companies an injunction ordering the Iron and Steel Trade Confederation to call off their strike.

He said the law on industrial relations was "very wrong" at the moment. "It has to be put right with a great deal of sensitivity or else we shall be in a situation worse than we have now."

"One of the worst things that could have happened would have been for the Bill to have just passed into law before this (the steel strike) took place, because it would have been put to immediate test. One wants this Bill to come in a period of relative peace."

Law-breaking forecast: Mr William Sims, general secretary of the ISTC and a magistrate, said yesterday he could foresee having to advise his executive council that to break the law might be the only way open to oppose the restriction of the right to take secondary action (the Press Association reports).

He was speaking on London Weekend Television's programme *Weekend World* and said he did not want to disobey the law.

Mr Tom Jackson, general secretary of the Union of Post Office Workers and Mr Arthur Scargill, president of the Yorkshire miners, also forecast widespread law-breaking by trade unionists.

Change urged: Sir John Methven, director general of the CBI, called for "profound changes" in the law relating to the unions in a bid to "bring sanity back to industrial relations."

Sir John said Britain was entering "a dangerous period with the steel union leaders losing no time in seeking to put a stranglehold on the British economy by extending their dispute to the private sector."

Steel closedown, page 2

Strike HQ claims police tapped telephones

From Ronald Kershaw
Rotherham

Iron and Steel Trades Confederation officials claimed last night that telephones at their strike headquarters in the Rotherham divisional office were being tapped by the police.

Mr David Smith, a picket marshal, said that the first he became suspicious when he was called out at 5.40 am on January 14 by the strike headquarters to assist at Hadfield's wharf at Tinsley, Rotherham.

Within 20 minutes of the telephone call police had arrived and a sergeant told him: "I am sorry you have been got out of bed. It is just hard cheese."

Mr Smith said: "I wondered how he knew I had been got out of bed. We talked about it among ourselves and said we would set them up."

At 7.20 am on January 15 a colleague made a telephone call from outside Rotherham to the strike headquarters on an emergency line asking for as many pickets as possible at the Eastwood trading estate.

Within four minutes of the call a police car and two vans full of policemen arrived at the address of the faked disturbance, Granell's ice cream factory.

"We sat in the car and watched the police walking around, then they drove away," Mr Smith said.

Mr Smith said that on another occasion he telephoned the strike headquarters when pickets were clearing a driver at the haulage firm of Mason Brothers at Wilton Lane, Rotherham, last Monday morning. The police arrived within four minutes.

Mr Smith said: "It was me speaking to one of them. There was no way anybody else could have been involved."

Mr Keith Jones, ISTC divisional organizer and strike coordinator, said last night: "We have been unhappy since the fourth or fifth day of the strike that some of the more serious seem to have been intercepted before action has been taken on them."

"We are not suggesting any surveillance but we have talked about it at length and advised our pickets and picket marshals to test it out."

He added: "There was a police presence at the ice cream factory and there is no way that could have happened unless the message had been intercepted."

Mr Jones said that once when he was dictating a telegram using a telephone without an extension, the operator told him: "Hang on, somebody has just plugged in to your line." He said: "I am very unhappy that our phones are not free at the divisional office of the union."

The union was engaged in legitimate activities and there had been no violence. "We do not see that we should warrant this kind of surveillance. We should not be treated in this cavalier way."

Mr Edward Thorne, secretary of the South Yorkshire and Humberside ISTC strike committee, said: "I have no doubt at all that our telephones have been tapped. I suppose if they had not been tapping them, they have not been doing their job properly, but I do not approve of it."

The Sheffield headquarters of the South Yorkshire police issued a statement saying: "The senior officer denies the allegation completely, there being no truth in it whatsoever. He finds it incredible that it should be made, more so when it is alleged that this took place on January 15, during a crucial stage of their picketing."

"No action or allegations have been made by them that they thought they might have been tapped, until this time, nearly three weeks later."

"If they wish to make those allegations in detail, and specify all the incidents and names of persons involved, it will receive full investigation by the police, but I can give no assurance that there is no truth whatsoever in their suggestions. Suggestions of this kind would only debate the excellent relationship which the police have enjoyed with the pickets since the strike began."

Growing pressure, page 2
Leading article, page 13



Supporters of Mr Robert Mugabe stampeding at a Gwelo rally after a man was killed and 19 injured by a collapsing wall.

Guerrillas kill 13 in attack on Rhodesian bus

Salisbury, Feb 3.—Guerrillas fired into a bus on a main road 80 miles south-east of Salisbury tonight, killing 13 blacks in the worst incident in the month-old ceasefire, a Rhodesian military communiqué said. It added that 24 other blacks were injured, some critically.—AP.

Britain embarrassed: To the embarrassment of the British Government, the United Nations Security Council overwhelmingly approved a resolution sharply critical of London's handling of the ceasefire and the election campaign in Southern Rhodesia (David Cross writes from Washington).

After three days of debate, sometimes acrimonious, in New York, 14 of the 15 members of the Security Council last night called on Britain to ensure fair play during the election later this month.

The United States, France, Norway and Portugal joined the non-aligned and communist members of the council in supporting the resolution.

The British Government is called upon to create conditions in Rhodesia which will guarantee "free and fair" elections to ensure the success of the Rhodesian independence settlement reached last year in London.

After the vote, Mr Donald McHenry, the United States ambassador to the United Nations, said he doubted whether Britain should be lectured on the conduct of free and fair elections "from those who obviously have no experience" of such things.

This was a pointed reference directed at Soviet and East German representatives who, during the debate, were harsh in

their condemnation of Lord Soames, the British Governor in Salisbury.

Sir Anthony Parsons, the British representative to the United Nations, rejected the allegations. The British delegation could have used its veto to block the resolution but Sir Anthony chose instead not to take part in the vote.

Attack on intimidation: Far from feeling constrained by the United Nations Security Council's vote on Rhodesia Lord Soames is expected to announce new plans this week to stamp out political intimidation, (Nicholas Ashford writes from Salisbury).

These will be aimed mainly at Mr Robert Mugabe's Zanu forces who, according to the British, are largely responsible for the increase in intimidation, particularly in the eastern parts of the country.

Sources in Salisbury said today that the United Nations vote would not persuade Britain to make radical changes in her handling of Rhodesia.

Responding to Lord Soames' determination to deal with intimidation, Mr Joshua Nkomo, leader of the Patriotic Front Party, today made a series of broadcasts telling the Zimra guerrillas who had not gathered at assembly areas to do so.

At a mass rally at Gwelo, attended by about 10,000 people, Mr Mugabe announced that he was planning to set up a team of Zanu commanders to investigate charges that Zanu guerrillas were responsible for acts of intimidation. (The rally came to a bloody end when one person was crushed to death and 19 were injured as the crowd swarmed out of the Mboko football stadium. Reuters reports from Gwelo.)

15 feared dead in prison riot

Santa Fe, New Mexico, Feb 3.—Officials at New Mexico State Penitentiary said today that as many as 15 prisoners may have been killed in a riot in which convicts have seized most of the prison buildings and are holding other warders as hostages.

Three warders and 30 prisoners have been injured in the uprising which began yesterday at the prison near Santa Fe.

A column of black smoke hung over the prison, which is surrounded by 150 police and national guard militia, dogs and helicopters. They have made no attempt to go inside so far.

Mr Bruce King, Governor of New Mexico, who visited the prison yesterday, said he had been told by some of the more reliable prisoners that 10 of them had been killed. The prison authorities said today they believed the figure was closer to 15, many apparently killed in a settling of old scores.

Officials said they had few facts but had been told by prisoners by telephone and by radio that one convict had been set on fire and another had died when his head was almost severed by a blow from a shovel.

The injured, including the three warders who have been treated in a hospital near by after being allowed out of the prison. Hospital officials said some of the injured had been stabbed in the face or neck.

If the casualty figures are confirmed, this will have been the bloodiest prison uprising in the United States since September, 1971, when a revolt at Attica state prison in New York left 40 warders and prisoners dead. Police stormed the prison to end that revolt.

FBI investigates six Congress members

At least six members of Congress and about 20 state officials are under scrutiny from the Federal Bureau of Investigation for their alleged involvement in what is thought to be the biggest scandal involving public officials since Watergate. After a two-year investigation, the FBI is reported to have videotaped and recorded a number of transactions in which hundreds of thousands

of dollars were paid to influential public officials by agents posing as Arab businessmen, in the case of the money, the officials were allegedly expected to offer various legislative favours. The results of the investigation are likely to be presented to a federal grand jury which will be asked to consider bringing criminal charges against some of those said to be involved. Page 4

Legal action on cuts planned

Labour local councils decided to take the Government to the courts if they are penalized for failing to secure the guidelines laid down for spending levels and rate increases. Mr Roy Hattersley, environment spokesman for the Opposition, met council representatives at the party's local government conference to work out details of the campaign and to assure them that legal advice would be provided. Page 2

Dim prospects on Ulster talks

Northern Ireland's constitutional conference resumes today with little prospect of meaningful progress. After nine sessions the conference is deadlocked over power sharing. Page 3

Reminder over closing of homes

Councils have been reminded of the proper procedure for closing children's homes after suspicious that some homes are being closed illegally in an effort to meet spending cuts ordered by the Government. Page 3

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Letters: On concern over Islam, from Mr C. J. Walker; on Lord's judgments on union law, from Professor Lord Wedderburn of Charterton; on the Thames tower, from Sir John Benjamin and Mr Stephen Gardiner.
Leading articles: Telephone tapping; Sale of Laxton Estate.
Features, pages 18, 12.
Patrick Cosgrave argues that Britain should support Dr Savimbi in Angola; Philip Howard on new words and new meanings; profile of William Rodgers; Brian Connolly on page 11.
Irving Wardle on *The Greeks* (Albion Theatre); Sir William Haley on the fifth volume of Virginia Woolf's letters, *The Sidelong*; Michael Church on *An Enemy of the People* (BBC 2).

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Business Diary profiles Lord Thomson of Monifieth, Managing Director, General Motors from the inside; why word processors could cut the working week in the office; workers' rights in the Companies Bill.

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Sports grants threat over Olympics

By Michael Hatfield
Political Reporter
State financial grants to national sporting bodies may be withheld in future by the Government if the British Olympic Association maintains its support for the Moscow Olympic Games.

Mrs Margaret Thatcher has discussed the proposition with some of her colleagues, but it was being stressed last night that the Government was not threatening any action at this stage.

The Prime Minister is to meet with representatives of the Central Council for Physical Recreation, which has said that the Moscow games should go ahead, will be headed by Mrs Mary Glen Haig, its chairman. The Sports Council representatives will be Mr Richard Jeeps, chairman, and Mr Emylon Jones, director.

If the Olympic association does not meet the request from the Government to support an alternative venue for the games then the Sports Council might find its state grant frozen. Ministers have suggested that the amount should be equivalent to that which the council may make over to the British Olympic Association to make good any shortfall in its £1m target. At present the association has raised £600,000.

The delegation for the Central Council for Physical Recreation, which has said that the Moscow games should go ahead, will be headed by Mrs Mary Glen Haig, its chairman. The Sports Council representatives will be Mr Richard Jeeps, chairman, and Mr Emylon Jones, director.

Mr James Prior: We must not let it wrong.

Mr Len Murray: Union's will defend their rights.

Engineering industry orders drop alarmingly

By Edward Townsend
Prospects for Britain's engineering industries have dipped alarmingly in recent months, to the extent that new orders this year could be as much as 20 per cent down on 1979.

Industry leaders fear that the downturn will cause a widespread contraction that will affect severely their ability to win back customers when the next upturn in demand arrives.

Losses of jobs in mechanical engineering alone up to last June and reduced the sector's labour force to a new low level of 902,000. There is no sign of the trend reversing and this year as many as 30,000 more jobs could disappear.

Engineering of sterling for Britain's lack of competitiveness in engineering products on export markets. The Japanese are now said to have a 30 per cent price advantage in some sectors which is impossible to beat.

The last report from the short-term trends working party for the mechanical engineering industry, which includes members

of 1978 and £12,335m for 1977. Over the three years the increase in value of exports has risen by 9.4 per cent.

Imports in this category, which includes most engineering products, have risen in value at the same rate and Britain's balance of trade in the overall balance of trade in value of imports in the 12 months of 1979 was £1,751m against £10,654m for 1978 and £8,327m for 1977, an increase over the period of 41 per cent.

Trade between Britain and the rest of the European Community in engineering products is showing particularly disturbing trends. Over the three years the United Kingdom has raised the value of engineering exports to the EEC by 22.5 per cent—well above the overall increase—but purchases of United Kingdom equipment have grown by 48.7 per cent.

Consequently, the trade gap has widened further. Exports to the EEC were worth £4,754m in the 11 months of last year against imports of £6,672m. The deficit of £1,918m compares

with a deficit of £607m in 1977. Machine tools represent one area where Britain's competitiveness has been hit badly and leaders of industry are pressing manufacturers to move more rapidly into the production of high technology equipment to combat fierce international competition. The machine tool industry suffered a deficit on overseas trade for the first time last year.

In contrast, one of the few areas for optimism is mining machinery, which faces good order prospects for at least the next 18 months, boosted by increased spending by the National Coal Board.

Engineering leaders feel they must impress on the Government more forcibly the plight of the industry faces. At a meeting of the Engineering Employers' Federation and MPs, the possibility of forming an all-party parliamentary group for the industry will be discussed. The EEF believes there is little understanding in Parliament of the seriousness of engineering's position.

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HOME NEWS

Steelworks closures and layoffs loom as ISTC members in private sector resume action

By Peter Hill
Industrial Editor

Steelmaking in Britain will be halted from this morning if, as expected, more than 15,000 members of the Iron and Steel Trades Confederation (ISTC) in the independent sector join the national strike.

Layoffs by independent steelmakers may reach thousands by the end of the week. An ISTC shop steward said yesterday that the management of GKN, Cardiff, had said it intended to lay off about 350 craftsmen from tomorrow evening. Metal Box, a big steel user, said it would lay off a third of its 7,500 labour force by the end of the week.

With no sign of a breakthrough in the impasse in pay negotiations between the British Steel Corporation and the ISTC and the National Union of Blastfurnacemen, other industries will be making contingency plans for layoffs.

Although industry remains confident that stocks at manufacturing plants and in the pipeline will be more than adequate to cover between two and three weeks' further production, shortages of particular grades and quantities are expected to develop if the strike continues to the end of the month.

Large steel users have spun out their stocks and, despite picketing of about 10 per cent of its members, the National Association of Steel Stockholders has maintained deliveries.

The extent of the private sector workers' response to the strike call will be clear today.

The signs yesterday from meetings among workers in the Sheffield area were that the walkout will be virtually complete throughout the independent companies, although some workers have expressed reluctance to become involved.

Officials of the British Independent Steel Producers' Association expect to have a detailed assessment of the strike's impact today. Senior officials will meet to consider whether positive steps should be taken by companies to organise secret ballots among their workforces. The idea of a ballot being organised with the assistance of the Electoral Reform Society will be considered at a meeting of the executive council of the association tomorrow morning.

The companies have said throughout the past 10 days of litigation, which finally went against them with the Lords' ruling last Friday, that their employees do not want to be involved in the strike.

The association maintains that some companies will be forced to close completely and others will be badly damaged. The association has requested an urgent meeting with the Prime Minister to press for strong, effective and quick action to the Government's Employment Bill.

Mr John Peterson, president of the association and chairman of Duport Steels, said that although the overwhelming impression was that ISTC members in the private sector did not want to go on strike, "their union cards are clearly stronger than their loyalty to their companies".

He added: "Although I am

sure that most companies in the private sector will keep their gates open and try to continue working, by the end of this week thousands of other workers in those companies will have to be laid off".

As the strike continues and shortages begin to bite, companies like B.L. Rolls-Royce and Chrysler, which supported the association in its legal action to secure injunctions, will be forced to lay off workers.

Metal Box, which produces six thousand million cans a year for the food and drink industry, is laying off workers because production has been badly affected by the strike. At the end of last week it announced that 1,000 workers were being laid off, a figure which has been the target of vigorous picketing.

From today a plan for 2,500 layoffs from a workforce of 7,500 will be put into operation.

Factories affected will be at Arbroath, Scotland; Carlisle, North; Portadown, West; Loughborough, Lancashire and Walsby, Cambridgeshire. But last night Mr Gordon Sambrook, managing director (commercial) for British Steel, said that the corporation's steel plate group had stocks of 65,000 tonnes available for delivery.

"Certainly the pipeline is emptying, and I am less happy as the strike goes on, but I do not think anyone should feel that there is going to be any great disaster in the next week or so, and the vast majority of users of steel can see two or three weeks ahead without major problems."

He added: "Although I am



A Manx replica of a Viking longship being lifted into the forecourt of the British Museum for The Viking Exhibition, which is sponsored by Times Newspapers Ltd and opens on February 14.

Legal action planned over cuts

From Christopher Warman
Local Government Correspondent

Labour local councils decided yesterday to take the Government to the courts if they are penalized for failing to adhere to the guidelines laid down for spending levels and rate increases.

Mr Roy Hattersley, environment spokesman for the Opposition, met council leaders at the party's local government conference to work out the details of the campaign and told them that legal advice will be provided to help councils.

Mr Hattersley believes that it could be unlawful for Mr Michael Heseltine, Secretary of State for the Environment, to withhold grants from a council because he has decided it is overspending.

He told a group meeting at the conference that there had been almost total rejection by the party of any action by councils which was against the law. "Indeed, there has been a general determination to test in the courts behaviour by the Conservative Government which is or might be judged to be the unreasonable exercise of executive power."

He asked Labour councils to do it in their power to protect their people and protect their services.

He hoped they would avoid making cuts but if they had to then the party would support their position. Mr Hattersley promised the whole-hearted support of the Labour movement for those councils which in order to maintain services had to impose extra rate rises to compensate for the Government's cuts.

He said there was unanimous agreement about the need to fight cuts by every legal means, and a virtual agreement that different authorities would have to carry on the battle in different ways. Such agreement was not, however, quite unanimous, for the view that councils must act differently brought

criticism from Mr Edward Knight, leader of Lambeth council, in London, who has already announced that his council will make no cuts. He argued that all Labour authorities should act together to try to defeat the Government's policy.

Mr James Callaghan, the party leader, said that the party's policy was to support the Government's decision to fix a standard rate and the judgment of councils not only by their actions but also by their speeches. "Never was there an insolent jackboot proposal from a jumped up Jack-in-office."

Back inside the Cabinet, Mr Hattersley said, "I have been convincing them that I have seen" Mrs Castle says. "He pointed out that it was now nearly 7 pm, at which hour he was supposed to be addressing the trade union group of Labour MPs. 'What am I to say to them?' If the Cabinet wanted peace at any price, they had better find someone else to go and negotiate. He was not prepared to do so on those terms. Harold stood firm."

Right-left crossfire intensifies as Labour Party inquiry nears

By Our Political Reporter
Labour's commission of inquiry into the party's organisation and structure begins work this week against a background of increasing crossfire between the rival right and left factions.

Mr James Callaghan, leader of the party and a member of the commission to start with, is expected to start by fighting a desperate battle to reduce tension within Labour's ranks. When the commission meets on Friday it will have on its agenda proposals for examining the party's constitution, but the question of Trotskyist infiltration is not expected to be examined immediately.

Speeches at the weekend by Mr Eric Heffer, the left-winger, and the former Cabinet minister, Mrs Shirley Williams, showed the deep divisions within the party. Mr Heffer, the left-winger, said: "The party, in the broadest sense, is a broad church, and it must remain one by being tolerant of all the varying strands that go to make up the party."

But if some people feel they cannot accept Labour's social principles, aims and objectives, they cannot accept Clause Four and the Constitution, then they really ought to join some other party more to their taste.

"This would be good for them, and good for the party. Such people, who have no real sympathy for Labour's basic values, should not act as a fifth column in Labour's ranks."

The Labour Party Young Socialists organization is seen as a stronghold of the Trotskyist Militant Tendency, and Mr Heffer told them: "There has been a lot of talk lately about Trotskyism. It is clear that we have suffered from it, not in the way the media say, but by some people who have Tory concepts and who have by their actions and ideas bewildered and disillusioned some party workers and supporters."

Mrs Williams told a meeting organized by the centre-right Campaign for Labour Victory that she did not want a new centre party, but warned the left-wing of the dangers in their midst.

"If nothing is done by the legitimate left to fight the depredations of the Militant Tendency and if it continues to bury its collective head in the sand, either the Labour Party will split or the support for a party of the centre will grow and grow. Our survival is in our own hands."

Some of the Tribune Group left-wingers argued that it would be dangerous to start with a Trotskyist or Trotskyist wing, but the tactics of the notorious Senator Joe McCarthy, she said. "But a party is not a country. It is a voluntary organization of individuals who come together to work for a broad set of policies and, in our case, to do so by the method of democracy, persuasion and argument within a framework of tolerance and respect for other views."

It is not only the broad policies that must be accepted by members, but the methods, too. It is not unreasonable for a party to protect its principles and methods from being destroyed and to do so by accepting into membership only those people who embrace both."

Mrs Williams said: "The Labour Party is a party of the people, and it must remain so. It must be a party that is open to all, but it must be a party that is united. It must be a party that is strong, and it must be a party that is effective."

Labour's Shadow Cabinet is expected to start its work this week. The party's "alternative economic strategy" proponents, who argue that the frontbench performance has been disastrously ineffective.

The group, which wants import controls, greater state intervention in industry, and a democratic and socialist party, says there is no sign of strategy and no indication that if Mr James Callaghan or Mr Denis Healey were returned to power they would behave much differently from last year.

The Labour Coordinating Committee, chaired by Mr Michael Meacher, MP, aims at coordinating more closely the activities of constituency parties and union branches which support the alternative strategy. It claims a membership of 600,

Shadow Cabinet attacked over its performance

By Our Political Reporter

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including 42 constituency parties.

It says in its monthly bulletin *About Activists*: "It will not be enough simply to reverse the damage now being done, because the Labour government's policies are failing." It maintains that the previous Labour administration was barely discernible as socialist; that it did not measure up to the nation's economic needs; and it lost the election.

For the future, the group states, Labour's economic rethinking must embrace four goals: the reversal of accelerating deindustrialization and planning for expansion; a shift in the balance of wealth and reward "in favour of the struggling rather than the comfortable classes"; restoration of full employment; and a shift in the balance of power by democratizing the economy.

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Sir Harold on the brink over unions Bill

By Our Political Reporter

How Sir Harold Wilson, when he was Prime Minister, came to the brink of resignation during the confrontation between the Government and the trade unions over the In Place of Strife is disclosed by Mrs Castle in a new book.

The book, *The Strife of Strife*, is a memoir of the period when Sir Harold was Prime Minister, and it is a book that is well worth reading.

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Bar on DPP as witness 'will hamper inquiry'

By Ian Bradley

A Labour MP yesterday strongly criticized a decision by the Attorney General not to allow the parliamentary committee which is investigating the number of deaths in police custody to take evidence from the Director of Public Prosecutions (DPP).

Mr Michael Meacher, MP for Oldham, West, who first raised the question of deaths in police custody, said that for the committee to be given access to the DPP would be "like playing Hamlet without the ghost."

It would be impossible for the committee to do its work properly if it was not to have access to law officers.

The committee, which is chaired by Sir Graham Page, Conservative MP for Crosby, will start taking evidence today. Sir Thomas Hetherington, the DPP, was to have been the first witness examined.

When Sir Graham wrote to the committee to be allowed to interview Sir Thomas, he was refused permission. Last Thursday Mr Norman St John Stevas, the Leader of the House, said that the Law Officers' Department was not subject to the new select committee.

Mr Meacher said: "If the DPP does not appear before the committee, and it emerges publicly that he has been forbidden to do so by the Attorney General, I would hope that the committee would make a complaint to the House of Commons and that the House would take steps to ensure the DPP's attendance."

There is a precedent for Parliament compelling a witness's attendance to give evidence before a select committee. In January 1978, Sir Charles Villiers, chairman of the British Steel Corporation, was summoned by the Select Committee on Nationalized Industries.

When the Select Committee on Home Affairs set up a sub-committee to investigate the proposed changes to the terms of reference should cover the work of both the Home Office and the Law Officers' Department. However, the Government restricted it to covering only Home Office affairs.

Sir Graham said yesterday that he had no comment to make. The committee set up to make the investigation this afternoon from the Chief Inspector of Constabulary and two Home Office officials.

'The Tatter'

In our report on Friday of the conviction of Nottingham Crown Court of Mr Guy Wrayne on charges of conspiracy we referred to him as the managing director of *The Tatter* magazine. As indicated in our earlier reports of the proceedings, Mr Wrayne was in fact the former managing director of the company publishing *The Tatter* and we are glad to make it clear that the events which were the subject of the criminal charges took place before the present publication of the magazine in March, 1977.

Unions and BSC try to reopen talks

By David Felton
Labour Reporter

Leaders of the two main steel unions are expected to meet senior members of the British Steel Corporation management for informal talks this week in an attempt to reopen negotiations to end the national steel strike.

The talks will try to pave the way for the biggest union, the Iron and Steel Trades Confederation, to recall to London the 60 members of its negotiating committee. Mr William Sims, general secretary of the ISTC, is insisting that the BSC has to put more money on the table before negotiations can restart.

BSC officials, while looking for ways of resuming negotiations, are understood to be firm in their resolve that any pay increases will have to be paid for by improved productivity.

Mr Kenneth Clark, assistant secretary of the ISTC, said: "I think the present position is now. Over the next week more and more companies will be making a noise about the effect the strike is having on them."

He said that during the past week there had been a large increase in the number of companies asking for dispensation from the national steel strike supplies to their premises.

Mr Clark said feelings among the strikers seemed to be hardening.

Driver dies in snow

Mr Brian Routledge, aged 61, of Penryn, Cornwall, died yesterday when he tried to dig his car out after it skidded into soft snow near Rothbury.

Restricted Russian studies at universities suggested

By Diana Geddes
Education Correspondent

The teaching of Russian should be restricted at 20 university institutions. That is the main recommendation of a report, approved by the University Grants Committee, which has been sent to the vice-chancellors of all British universities offering Russian.

The UGC has asked for comments by the end of March. The report contains the findings of the arts sub-committee of the UGC, which was asked in May, 1978, to undertake an inquiry into the state of teaching and research in Russian language and studies at British universities.

"We believe that the present distribution and size of staff groups (more than half number four or fewer) dispersed over 40 institutions constitutes a wasteful and academically unsatisfactory use of resources, and that even if the intake from the schools for language-based studies were to be held at the present level, some rationalization is necessary," the sub-committee says.

Further reductions would have to be planned within the next five years if the decline in student demand for Russian continued. The number of school leavers with A levels in Russian has dropped sharply over the past decade, the report shows.

It recommends that Russian be discontinued at Aston, Heriot-Watt, Strathclyde, the University of Manchester Institute of Science and Technology (UMIST), Aberystwyth and the New University of Ulster; and that existing staff be transferred respectively to Birmingham, Edinburgh, Glasgow, Manchester, Swansea or Bangor, and Belfast.

Wide response to call for renewed action

By Staff Reporters

The renewed strike call to private sector steel workers appeared to receive strong support yesterday, with many steel companies predicting more extensive picketing this week.

In the West Midlands the Iron and Steel Trades Confederation claimed a total shutdown of the private sector after the 3,000 workers at the Round Oak specialized steel plant at Brierley Hill held a lengthy meeting and voted to join the action.

In Yorkshire, map at Firth Brown and the troubled Hadfield's plant in Sheffield decided to join, but Hadfield workers criticized the decision to call them out again. "We feel jobs could be lost in the private sector because of this," a spokesman said. The decision by the 1,000 men at Firth Brown is expected to cause an immediate loss of 3,000 other company workers.

Mr Keith Jones, strike co-ordinator in South Yorkshire, said action would be intensified in a dramatic way today, after delegates from 28 branches met in Rotherham.

In Wales, workers at three of the four main private companies, GKN at Cardiff and Wrexham and Duport at Llanelli, walked out.

But at Alphasteel, in Newport, ISTC members decided to work on until they heard official notice of the strike decision, probably today, when a total stoppage is expected in Wales.

Work continued at the Sheerness Steel Company, on the Isle of Sheppey, where the 420 ISTC members last week voted to continue to work on the sector strike call. Despite last week's picketing, only a token force arrived at lunch-time, and they left soon after and steel continued to leave the works.

The ISTC said that it would be outside the plant today, possibly joined by 50 pickets from Middlesbrough, who are stationed in London for the week.

In the west Midlands the ISTC said there would be a great intensified picket line today. Pickets from Yorkshire, Teesside and Durham are expected to be reinforced by up to half the 10,000 private workers, and pickets from Corby are going to Middlesbrough and Wolverton, Peterborough and Northampton.

Mr Gordon Roberts, an ISTC divisional organizer in the Midlands, said the private Glyndwed group and J. B. and S. Lees had halted employees on the strike last week.

"I understand the outcome was a three-to-one vote in favour of an about strike. Today at Round Oak the management line was that jobs were under grave threat. They seem to have done our job for us, for the vote to come out was overwhelming."

The Middlesbrough strike committee said the North-east's largest private firm, Darlington and Simpson, was expected to be shut today after the weekend break. At another, Raine and Co, workers had stayed out since the original strike call.

The Law Lords' decision that the private sector strike was legal had been a big boost, said.

"At the beginning of the strike we were a bit hard up for pickets. But each day now a dozen or twenty come forward. Arrangements are being made and people are aware that there is an urgent need to get the strike over as quickly as possible."

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Pressure grows for public inquiry into 'tapping'

By a Staff Reporter

Pressure is growing among Labour MPs for a public inquiry into the extent of telephone tapping and security surveillance in Britain.

Questions will be tabled in Parliament today by MPs who think that their telephones have been tapped.

Dame Judith Hart is to ask Mr William Whitelaw, the Home Secretary, whether the telephone was tapped in 1974 when she was Minister of Overseas Development.

According to *The Sunday Times* yesterday the security services tapped telephone conversations between Dame Judith and a Communist official about her participation in the movement of resistance against the coup in Chile in 1973.

She said yesterday that she did not know whether her telephone had been tapped, but she felt there should be an inquiry into the criteria adopted for surveillance of all kinds.

Either one is living in a free society, which political activism is permitted, or one is living in a shady area where people are under surveillance from those who are not accountable.

Teachers are being asked to give secret information to school doctors about the home life of children aged five without parents knowing, a report claims today.

Question forms being supplied by some health authorities ask whether children are dirty, look neglected or tired, or get into fights.

The Advisory Centre for Education, which publishes one of the questionnaires in its magazine, says the forms should

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Cut likely in money for assisted places

By Our Education Correspondent

The £6m which the Government intended to spend in the first year of the assisted places scheme is likely to be cut in half, but the scheme will begin in September, 1981, as planned.

HOME NEWS

Imposed formula for Ulster pondered as talks stay deadlocked

From Christopher Thomas Belfast

The Ulster constitutional conference, which after nine sessions is hopelessly deadlocked over power sharing, may already have passed its halfway stage as Stormont officials ponder the possibilities for an imposed formula.

After the public hostilities of last week between the Democratic Unionists and the Social Democratic and Labour Party, there is only the dimmest prospect of further meaningful progress.

But neither party wants to be forced into a deadlock, which is one important reason for the so-called "self-denying ordinance" under which delegates are supposed to keep their deliberations secret.

A breakdown would be a serious propaganda defeat for the Rev Ian Paisley, leader of the Democratic Unionists, at the hands of the rival Official Unionists, who believe their boycott of the "time-wasting" talks has been justified.

Indeed, party workers claim that much of the early unrest among the rank and file over the boycott has evaporated, although a vociferous minority remains uneasy.

Only four conference sessions will be held this month, two of them this week, and three dates have been provisionally set for March. The government may wind up the conference in the latter half of this month, except in the unlikely event of progress being achieved.

As one senior delegate commented yesterday: "It should not be difficult to ensure that other engagements make it impossible to meet very often in March. We should be able to drag it out until then without breaking down."

If the conference ends without collapsing, Mr Paisley will at least be able to claim that he tried; that the areas of accord and discord have been clearly reaffirmed.

Political observers are fascinated wondering how he will turn a failed conference into a propaganda success, but it is generally assumed that he will manage.

The Northern Ireland Office, which despite consistent rumours to the contrary does not have a ready-made blueprint for the methods of power devolution, nevertheless has some clear ideas on how far the Government should go in the first instance.

Those ideas could form the basis of the report that the Cabinet will receive from Mr Humphreys Adams, Secretary of State for Northern Ireland in the next few months. He hopes to put proposals to Parliament by Easter for enactment before the summer recess and implementation in the autumn.

But for the moment the conference is still studying the Alliance Party proposals for a committee style of devolved government, and the study will continue at Stormont today. There will be another session tomorrow.

When the Alliance Party's proposals have been discussed the ideas of the other two parties attending the conference will be due for debate one at a time.

Mr Paisley's party spent several weeks before Christmas preparing a paper on how to accommodate Roman Catholics in a devolved government, but is refusing to reveal details until the SDLP acknowledges the principle of majority government. Clearly the SDLP has no intention of complying.

Man shot dead. Two hooded gunmen killed a father of five in the university area of Belfast on Saturday night. The police said the motive was unknown.

The victim, Mr William McAttee, aged 40, had no connection with the security forces.

In another attack a part-time member of the Ulster Defence Regiment was shot by gunmen as he approached his home near Lisnaskea, Co Fermanagh. He was critically ill last night.



Photograph by David Jones

Snakes alive: Miss Elizabeth Sutcliffe (left), a nurse at Guy's Hospital, London, getting to grips with Monty the Python in one of a series of eliminating tests to win a place on Operation Drake, a two-year expedition following the route taken by Sir Francis Drake, 400 years after his circumnavigation of the world. Miss

Sutcliffe, who was one of the winners, is being assisted by Ruth Mindell, of Drake Personnel. More than 16,000 young people applied for the 10 places on the expedition allocated to Capital Radio. The winners chosen at the weekend will join other young explorers on a three-month stint sailing the expedition's floating headquarters.

Porton transfer halts vaccine work

By a Staff Reporter

Scientists at the Centre for Applied Microbiology and Research at Porton Down, Wiltshire, are to lose the use of a laboratory where vaccines against anthrax, botulism and some other diseases are made.

The laboratory is to be handed back on March 31, to the Chemical Defence Establishment (CDE) of the Ministry of Defence which needs it for continued work on germ warfare.

Government cash limits have,

however, prevented work starting on a proposed £2m purpose-built replacement unit for the centre. A plan to have one started in 1981 is being considered by the Department of Health, but there is no guarantee that it will be agreed and it is unlikely to be ready before 1983.

Meanwhile some work at the laboratory will have to stop. Two years' stocks of the human anthrax vaccine should be available by April and scientists at the centre are hoping other bodies can be persuaded

to take on production of the vaccines, which, though essential, are needed in quantities too small to be a commercial proposition.

Some work, for example of an improved whooping cough vaccine, can be continued within the centre. But production of vaccine against anthrax and botulism and of tick-borne encephalitis will cease.

Dr Peter Summa, the centre's director, said yesterday: "It would certainly be very serious for us if we do not have the facility replaced."

Move to stop illegal closure of homes

By Pat Healy

Social Services Correspondent

Suspensions that some children's homes are being closed illegally have led to regional children's planning committees and local authorities being reminded of the correct procedures. Mr Patrick Jenkin, Secretary of State for Social Services, has taken that step after the matter was raised with him by Mr Alfred Morris, Labour MP for Manchester, Wythenshawe.

The issue arose after social workers took Hammersmith Council, in London, to court over its proposal to close the Goldhawk Road children's home on January 1. The court ruled that the council could not legally close the home until it had the approval of the Secretary of State. That approval is being sought.

The case raised the possibility that other local authorities may have overlooked the legal procedures.

Mr Robert Bessell, director of social services for Warwickshire, said last week that he had told the regional planning committee as a matter of routine of the closures he was proposing. But he had found the committee unsure of what it should do next.

The 12 committees in England and Wales were set up under the Children and Young Persons Act, 1969, to draw up and supervise regional plans intended to ensure that there was proper provision for children in care. A local authority proposing to close a children's home is required first to apply to the regional planning committee to have the home deleted from the regional plan.

If the committee agrees, the revised plan must be submitted to the Secretary of State for approval.

'Consider families' call to Catholic bishops

By Annabel Ferriman

When the Roman Catholic bishops consider the question of abortion they should set it against a wider framework, Mr Frank Field, Labour MP for Birkenhead, says in a letter to Cardinal Hume, Archbishop of Westminster, published today.

The abortion debate cannot be separated from a wider debate on how society values the family, and the actions that successive governments have taken to discriminate against those households with children, he says.

Mr Field, an Anglican and former director of the Child Poverty Action Group, says that the number of children living in homes below the state poverty line rose from 260,000 in 1974 to 420,000 in 1977.

The tax burden has increased fastest for families with children. "In the last Budget the Government reduced taxation by £4.5 billion. The only help announced specifically for families was £8m spread over the first children of single-parent families."

Mr Field, who is opposed to the Abortion (Amendment) Bill, which comes before Parliament on Friday, says in his letter that he was pleased to see from their statement, *Abortion and the Right to Live*, that the Roman Catholic archbishops of Great Britain had given serious consideration to the subject.

"Had the archbishops extended their discussion to the way our society hypocritically talks about the family being

the very basis of our free and democratic system, while making systematic measures to discriminate against both rich and poor parents, the document would have been immensely stronger."

"Indeed, the logical extension of your joint statement is that a similar campaign needs to be launched by the Catholic hierarchy to win a fair deal for families in our tax and benefit system."

Mr T. L. Lewis, consultant obstetrician and gynaecologist at Guy's Hospital, London, writing in the latest edition of the *British Medical Journal*, says that a return to back-street abortions would inevitably reverse the trend of a falling death rate from abortion.

He reports that deaths per 100,000 legal abortions fell from 121 in 1958 to 3.5 in 1978. They reached a low point of 0.8 per cent in 1976, when there was only one death from legal abortion, but six from non-legal ones. The maternal death rate in childbirth is 13 per 100,000. There have been no deaths from non-legal abortions since 1976.

Sixteen thousand women students and schoolgirls will have to have unwanted babies or resort to back-street abortions each year if the Corrie Bill goes through, the National Union of Students claims today.

The figures were produced by union researchers from abortion statistics, based on a figure of 1,400,000 women students.

US seeks Academy show

By Our Arts Reporter

Sir Hugh Casson, president of the Royal Academy, yesterday welcomed efforts by the National Gallery of Art in Washington, DC, to replace its cancelled exhibition of treasures from the Hermitage Museum, Leningrad, with the highly successful Post-Impressionist exhibition at the academy.

"We will help as much as we can," he said. "We would extend our extension of the exhibition, which ends here at the end of March. It is up to

them to coax the lenders, some of whom are institutions who see their own tourist seasons coming up and may have missed their pictures for too long."

Mr Carter Brown, director of the Washington gallery, came to London last week to review the prospects of filling the gap caused by the cancellation of the exhibition of Leningrad treasures because of the Afghanistan takeover. There are more than 400 works in the Post-Impressionist exhibition, which is wanted in Washington in May.

Higher rewards lead to an increase of 2,500

More joining Territorial Army

By John Chartres

A small but encouraging improvement in recruiting figures for the Territorial Army, which is an essential part of the Nato battle-line in Germany, has been reported since reforms suggested by the Shapland report were introduced last year.

A net gain of about 2,500 has been achieved, according to Ministry of Defence sources, making the TA's total strength 60,178 at the last count, against an establishment for 73,666.

More encouraging for the commanding officers of TA units is an improvement in the retention rate. The high turnover resulting from soldiers leaving after one or two years' service had been particularly worrying in the context of producing future senior NCOs.

The main recommendation of the Shapland report, to increase bounties to between £100 and £300 a year, depending on length of service and other qualifications, has had a significant effect, together with increases in Regular Army pay, to which TA volunteers are entitled while training.

The TA has maintained that

few of its members join for the money alone, which is regarded as "hard-earned", but the present rates help family members whose husbands have been strained when comparing what they received in Army pay with what they could earn from overtime work or second jobs.

Many commanding officers, regimental colonels and honorary colonels are looking forward to further implementation of another of the Shapland recommendations, an increase in the status of 15 battalions that had been allocated the limited home defence role in the last of several reorganizations since the late 1960s.

Those units were lightly equipped with a minimum of vehicles, radio sets and personal small arms, the underlying idea being that they would "go to ground" in a nuclear attack and then emerge with a task approaching that of an armoured *Land Rover* to help to restore order.

Over the past two years they have received more radio sets and transport, a slightly higher proportion of Regular Army staff and instructors, and such weapons as the two-inch and 81 mm mortar and Carl Gustav

anti-tank projectiles. Opportunities for training overseas, one of the biggest recruiting attractions for the TA units allocated to the Nato battle-line, are also being gradually increased. Nevertheless they still suffer a sense of being "poor relations", and a further step is being strongly lobbied by serving and former officers of the three yeomanry regiments equipped on the home defence scale, The Duke of Lancaster's Own, The Royal Wessex, and The Queen's Own Mercian.

Before the reorganization, or near elimination, of the TA in the late 1960s, most yeomanry regiments were equipped in light reconnaissance units equipped with a mixture of Ferret scout cars and radio-fitted Land Rovers.

That was an interesting role which attracted high calibre recruits and young officers and was in line with yeomanry/cavalry traditions. It also demanded a high degree of skill in mobile radio communications. The case is being made that those skills would be of particular importance after a nuclear strike because of the inevitable breakdown of telephone services.

Stronger quota scheme for the disabled is urged

By Our Social Services Correspondent

A strong plea that the quota scheme for the employment of disabled people should be retained and strengthened is made today by the Disability Alliance, a group of more than sixty voluntary bodies.

The scheme should be strengthened mainly by introducing a system of fines and grants for employers to enforce the quota the group says.

Proposals on the future of the scheme, which requires employers with more than 19 staff to employ 3 per cent registered disabled people, are expected from the Manpower Services Commission this summer.

The TUC has called for a strengthened quota but the CBI wants it replaced by a voluntary code of practice.

"The scheme is high on the unofficial agenda for cuts in public expenditure", Professor Peter Townsend, chairman of the alliance, said yesterday.

Although commission officials have denied that a decision has been taken, the scheme is clearly a strong internal candidate for the scrap-

yard. All the disability organizations feel that they have their backs to the wall in defending their rights.

A letter from Professor Townsend to the new head of the responsible branch at the commission urges that the Government should be advised to retain the quota scheme.

The commission's discussion document showed that most employers consulted supported it and some favoured levies on those employers who did not meet the quota. It would be a retrograde step to wind up the scheme, the letter said.

Formal proposals from the alliance discussed in *The Times* last month urged the introduction of a system of levies on employers to provide a fund to improve job opportunities for the disabled. Employers who gave jobs to disabled people would be able to receive grants from the fund to help to offset any extra costs, it said.

The alliance also wants the Government to introduce a non-discrimination law to protect disabled people along the lines of the race and sex discrimination laws.

Fourth channel 'will not pay its way' at first

By Kenneth Goshing

Far from being "self-supporting virtually from the word go", as claimed by the Incorporated Society of British Advertisers, the new television channel has no prospect of making a profit or of breaking even in the early years of its life.

That assertion is made in a letter to the society from the Independent Television Companies Association in reply to the document *The ISBA Alternative Proposal*. It accuses the society of presenting a totally misleading picture and says that in some cases figures quoted by it were tens of millions of pounds wide of the mark.

The letter says: "We cannot repeat often enough the fact that the new channel will not be able to pay its way in the early years at least and has no prospect of high profitability if it fulfils the programming functions that have been assigned to it."

It contrasts the ISBA's contention that advertising sales for the new channel should be handled not by the present companies but by independent sales agencies, and defends the arrangement whereby the companies will fund the new channel.

"ISBA considers the companies' current broadcasting activities to be some kind of disqualification from a full participation in the new service," the letter says.

"But they are in fact just the opposite—a measure of their commitment and an anchorage in reality. It makes sense for the ITV companies to invest time and money in the fourth channel because the additional programme opportunities will strengthen the whole system by allowing new and exploratory forces to emerge."

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Lethal canisters found

From Our Correspondent

Portsmouth

Twenty-four canisters of deadly arsenic trichloride have come ashore in Hampshire, Sussex, and the Isle of Wight, and it is believed that 30 more are still at sea. They are from the Greek cargo ship *Aeolia*, which sank off Portland in November.

Firemen wearing protective suits dealt with 11 in the Isle of Wight, where Divisional Officer Lawrence Tiller said: "We cannot emphasize the dangers enough. One taste of it is fatal. One sniff would be your last."

More than six hundred containers of less poisonous chemi-

cals have come ashore in the Isle of Wight in recent weeks. The Department of Trade says that it is too dangerous for divers to salvage the cargo until the spring.

Expensive beach watch: When the canisters are found, firemen and scientific advisers wearing protective gas-tight suits and breathing apparatus remove them in a sealed vehicle to be neutralized (the Press Association reports).

The watch on the Isle of Wight's beaches was costing the county council £3,000 a month, Councillor James Moon said yesterday. A central government fund was needed to meet similar emergencies.

WEST EUROPE

Nuclear power plant equipment blown up by Basque terrorists

From Harry Debelius
Madrid, Feb 3

Basque extremists blew up electrical equipment destined for a nuclear power plant in a Vitoria factory today in a weekend of political violence in which 10 people died.

A gang of armed men kidnapped the factory manager from his home this morning and took him to the Segasa factory on the outskirts of Vitoria.

They disarmed eight guards, taking a .38 calibre pistol from each, and placed plastic explosive charges round special batteries which were ready for delivery to the Lemona nuclear power plant, under construction near Bilbao.

They then left with the pistols, warning the manager and the guards to stay clear of the explosion, which occurred minutes later.

The latest victims of political violence included a woman of 19, whose body was found beside a road in Madrid, her face disfigured by bullets. A former member of the Basque separatist organization (ETA) was shot dead in San Sebastián. And in both cases responsibility was claimed in anonymous telephone calls by a right-wing extremist group, the Spanish-Basque Battalion.

The body of a man was left at the gate of a graveyard near Bilbao yesterday, wrapped in the red, green and white Basque flag. His head and neck had been torn apart by an explosion.

Another man's body, identified as that of a member of ETA, was found at the scene of last Friday's ambush, in which six Civil Guards were machine-gunned to death near Bilbao.

He had died from an intestinal wound, apparently caused by the explosion of a hand grenade.

The police assumed that the explosion, whether accidental or set off by answering fire from the ambushed policemen, killed two of the attackers.

The young woman murdered in Madrid was Señora Yolanda González Martín. Born in the Basque town of Eibar, she was a Marxist and one of the organizers in Madrid of last week's national university strike. An anonymous telephone call accused her of being a member of an ETA spotter squad.

The other victim of the right-wing extremists was Señor Jesús María Zubizarre Badola, who was 22 and had been arrested several times in the past as a member of the military wing of the ETA.

The Government decided at the weekend to take strong measures against separatist violence, and named General José Saez de Santamaría Tintura, the national police chief, as special security delegate in the Basque country with full powers in matters of law and order.

In a reaction to the increasing terrorism in the north, members of the Civil Guard banned Socialist MPs from attending funeral services yesterday for the Civil Guards killed in action this week.

Rightist demonstrators surrounded a car occupied by Señor Txiki Benegas, the Socialist councillor for Internal Affairs in the Basque Regional Government. They kicked and banged at the car until he drove away from the Civil Guard headquarters in Bilbao where the services were held.

Six groups claim they shot former minister

Paris, Feb 3.—At least half a dozen extremist groups claiming responsibility for the shooting of M. Joseph Fontanet, the former French cabinet minister, who died in hospital at the weekend of a gunshot wound.

But police were also checking a theory that M. Fontanet, aged 58, who had been out of government for the past six years, was the victim of mistaken identity. Another theory was that he may have been killed in a row with another motorist.

M. Fontanet, a former leader of the Christian Democratic Party, held several cabinet posts, including Labour and Education, under General de Gaulle and President Pompidou between 1959 and 1974.

He was shot in the back early on Friday as he locked up his car. He was found lying on the pavement by his neighbours, his sister of President Giscard d'Estaing and her husband.

Police, pursuing a theory that M. Fontanet might have been mistaken for someone else, questioned hundreds of residents in the fashionable sixteenth arrondissement where he lived.

The most detailed claim of responsibility was made by the anarchist group "Autonomous Revolutionary Brigades" which had mainly been known for attacks on luxury food or clothing shops.

A telephone caller told a French news agency the group had planned to kidnap M. Fontanet and hold him hostage to secure the release from prison of two of its teenage members.

The caller said the anarchists were surprised by M. Fontanet and shot him by mistake. —Reuter.

OVERSEAS

Congressmen under investigation by FBI in bribery case

From David Cross
Washington, Feb 3

The Federal Bureau of Investigation (FBI) is investigating at least six members of Congress and some 20 state officials for their alleged involvement in what is already being described as the biggest scandal involving public officials since Watergate.

After an investigation lasting some two years, the FBI is reported to have videotaped and recorded a number of transactions in which hundreds of thousands of dollars were paid to influential public officials by agents posing as Arab businessmen. In return for the money, the officials were expected to offer various favours.

According to *The New York Times*, which first published details of the FBI operation this weekend, the results of the investigation are likely to be sent to a federal grand jury, which will be asked to consider bringing criminal charges against some of those allegedly involved.

The newspaper said that the officials being investigated included Senator Harrison Williams, a Democrat from New Jersey, and five Democratic members of the House of Representatives—Mr John Murphy, from New York, Mr Frank

Thompson, from New Jersey, Mr Michael Myers and Mr Raymond Lederer, both from Pennsylvania, and Mr John Jenrette, from South Carolina. Senator Williams and Mr Jenrette have confirmed that they have been interviewed by FBI agents but have declined further comment.

The FBI investigation apparently opened in February, 1978, with information from a man convicted of fraud, who introduced agents to public officials he knew to be corrupt.

Posing as representatives of a wealthy Arab sheikh, and in some instances as the sheikh himself, the agents met the officials or their representatives throughout last year in a number of places along the East Coast, including offices, flats, hotels and a yacht, *The New York Times* report said.

The agents handed over hundreds of thousands of dollars in bribes in return for promises of help for the "sheikh's" financial enterprises.

Among the assistance requested by the sheikh and his representatives was held in obtaining a casino gambling licence, as well as Congressional support for legislation enabling the sheikh to remain in the United States if he fell from favour in his own country.

Afghan guerrillas ask for missiles to fight tanks

Khyber Pass, Feb 3.—Afghan guerrillas today asked President Carter's National Security Adviser, Mr Zbigniew Brzezinski, for missiles to fight Soviet tanks and aircraft.

Mr Brzezinski met the guerrillas during a visit to a muddy and cold mountain refugee camp which houses 4,500 people at Sada, about 12 miles from the Afghan frontier.

Camp leaders told him they had fled from Soviet troops when they accused them of killing their people and destroying mosques.

"We don't want wheat, tents," one told him through an interpreter. "We want arms and ammunition from you to defeat the Russian imperialism."

The leader added: "We have not come here for shelter or to save ourselves. We want to rest and go back and fight and we want missiles to deal with Russian tanks and planes."

Mr Brzezinski, who is holding

talks with the Government of General Zia ul-Haq on the consequences of the Soviet intervention in Afghanistan, diplomatically turned aside the demands for arms.

Brzezinski shaken by a wayward burst of machine gun fire, was visiting a mountain peak overlooking the border town of Torkham when a Pakistani soldier, for Mr Brzezinski's benefit, fired his machine gun through an open window towards Afghanistan. The recoil threw the soldier off balance.

Another soldier pushed him forwards so his gun could not empty its magazine into the room where Mr Brzezinski stood with General Fazle Haq.

Supporting Mr Brzezinski was General Fazle Haq, Minister of State for External Affairs, who said the United States Secretary of State, Mr Jimmy Carter, had backed Washington's handling of the East-West crisis but said Sino-American ties should not be used against the Soviet Union.—Reuter.

Regular troops will not shoot at insurgents

Continued from page 1

The Government drafted us in from Herat and from places in the north of Afghanistan. But we do not want to fight these people. The *mujaheddin* are Muslims and we do not shoot at them. If they attack our villages, we shoot into the air."

The young man complained bitterly that his commanding officer refused to give him leave to see his family in Herat, 900 miles away near the Iranian border. In his anger, the soldier threw a knife and fork on to the table and roared savagely at the chicken with his hands, the grease dribbling down his fingers. "Jalalabad is finished," he said.

This is not quite true. Just after midday today, Afghan Air Force planes, a MiG 17 fighter aircraft at roof-top height over the city.

They thundered just above the palm trees, the palm trees vibrating with the sound of the jet engines, and left in their wake a deafening silence broken only by the curses of men trying to control boiling, terrified horses.

Each of us has our own attitude to these things and that is understandable. But all we have to do is sing in harmony, not in unison."

He denied there was any difference of opinion between himself and Mr Thatcher about how to deal with the crisis. "We do sing in unison," he said, "and we make a sweet noise."

The other main topic discussed was, naturally, the European Community budget. It was clear that no headway has yet been made on Britain's claim for a substantial reduction in its contribution.

However it is understood that feelers are being put out to reach some sort of compromise and private talks have started.

these were centres of atheism and communism.

But they also murdered the schoolteachers, and several villagers in Jalalabad spoke of children who were accidentally killed by the same bullets. The *mujaheddin* are still not universal loved and feared of things in the normal order of things along the road—two weeks ago they murdered a German lorry driver—has not added much glory to their name.

Yet the Afghan Government has ordered its Air Force to attack guerrilla bases which in the normal order of things are in or near villages. So it was that last night four helicopter gunships roared low over Jalalabad and in the semi-darkness it was possible to see the small bulbs of fire that marked the bomb-bursts round the village of Kam.

There is no doubt that the people of Jalalabad believe that the *mujaheddin* intend to capture the city.

They will do so such thing, of course, because if there was any immediate danger of Jalalabad's capture, the Soviet troops who have remained since December in their barracks on the Torkham road, would emerge to fight the insurgents.

But there is an air of defeat about, none more so than among the party officials. They arrive before the 8 pm curfew, anxious men in faded brown clothes and dark glasses who seek to their first-floor lounge for tea before bed.

Another Soviet dissident attacked

From Our Own Correspondent
Moscow, Feb 3

A Soviet literary critic who protested against the banishment of Dr Andrei Sakharov was denounced in the Soviet press today as a Judas who hated his homeland and had teamed up with its enemies.

Mr Lev Kopelev, who is 67, was a wartime army major and has been a strong supporter of Soviet dissidents in recent years. He said today that he believed the official attack on him might be a prelude to action against him by the Soviet authorities.

The newspaper *Sovetskaya Rossiya* accused Mr Kopelev of supplying the Soviet Union's adversaries with propaganda materials and turning his Moscow flat into a "nest of ideological subversion and a meeting place with Western emissaries".

The paper said the critic was really "an internal emigrant, an enemy of the socialist system". The story of his life was the story of a steady degradation of a man who hates his homeland. His actions gave rise to only one feeling in the Soviet people—disgust.

Mr Kopelev asserted in his autobiography *To Be Preserved* published in 1978 in the United States, West Germany and elsewhere abroad, though not in the Soviet Union, that Russian troops had com-



Lev Kopelev: expects action by the authorities.



Muhammad Ali meeting his fans after his arrival at Dar-es Salaam airport.

Tanzanians cool to Ali mission

From Charles Harrison
Nairobi, Feb 3

Muhammad Ali, the former world heavyweight champion, arrived in Dar-es Salaam today at the start of a mission for President Carter during which he will try to dissuade African states from taking part in the Moscow Olympics.

His reception in Tanzania was cool, and even hostile from the local press. He will not be received by President Nyerere, and the Tanzanian Government will not send teams.

Tanzania, like Uganda, is continuing preparations to send a team to Moscow.

However, Kenya, Zaire and Djibouti have all announced they will not send teams.

President Daniel Moi of Kenya, in a statement yesterday, said it would be "most

inappropriate" for any non-aligned nation to attend the Moscow Olympics while Soviet troops are in Afghanistan. "We do not believe that the interests of our country and the peace of the world are going to be served by our ignoring what is clearly a threat to the security of small nations and ultimately of world peace", he added.

The decision is important because Kenya would have sent a strong team to the Olympics, particularly for the track, field and boxing events.

The timing of the Kenyan President's announcement, on the eve of Mr Ali's arrival in Africa, could well indicate a wish not to appear to be influenced by President Carter's unorthodox approach.

President Ali has offered a "neutral" ground near ancient Olympia as a permanent site for

the Olympic Games (Mario Modiano writes from Athens).

The offer was made to the International Olympic Committee (IOC) by Mr Constantine Karamanlis, the Greek Prime Minister. In a letter to Lord Killanin, president of the IOC, he said that a permanent home for the games, near Olympia, could rid them of politics and commercialism.

He added: "This area can be declared neutral ground by international agreement which would also safeguard the inviolability of the region, consolidate rights on the installations, and acknowledge the decisive role of the Olympic committee on athletic matters."

The proposal is expected to be discussed by the IOC at its meeting in Lake Placid next week.

Exiled ex-Premier plans return to fight Khomeini regime

By Charles Douglas-Home

Mr Shahpour Bakhtiar, the former Iranian Prime Minister, who persuaded the Shah to go into exile before he was swept into power by Ayatollah Khomeini, says he is planning to return soon to Iran to take up the struggle against the ayatollah's regime.

He has sent a special message by cassette for distribution among the Iranian armed forces. Three thousand copies have been made and he says they have attracted favourable response from military units.

"I am told many officers wept when they heard my message," he told *The Times* in an interview. "My purpose is to give them hope for the future of their country; to give them courage and unity and recognize that since Mr Khomeini cannot rule the country he must give up as soon as possible."

Mr Bakhtiar would not say when or how he plans to return to Iran. "Mr Khomeini waited until the Shah left before he turned back. I do not intend to wait for him to die. I expect to be in Iran again before there is a collapse, since to wait until a collapse would give the Tudeh (Communist) Party a chance to take over."

Many different elements have to be organised and we must be fully prepared inside the country before the Khomeini regime collapses; but his monolithic system is breaking up. Many people are tired of him and of the disorders. It is possible there will be physical opposition to me, but we will have guns too."

Mr Bakhtiar revealed that he has been sending cassettes for distribution within Iran ever since he was ousted as Prime Minister. Some of the earlier cassettes were being made even while he was in hiding in Tehran. He never left his hiding place in the Iranian capital until he boarded a scheduled flight for France, carrying his papers and sporting a beard. This was several months

after the Khomeini revolution. Since then he has been operating from a heavily guarded flat in the Paris suburb of Neuilly.

"Everything I said would happen as a result of Khomeini's return has sadly not happened. The country is disintegrating and dangerously isolated. I had to wait a few months to prove to everybody that Mr Khomeini cannot guide the country to stability and prosperity, and now it must be clear to everybody that he is losing ground every day in every field. People then thought I was a superman but now they see that he is a bloodthirsty man trying to distract people's attention with stupidities like the embassy story."

He says he is against Western technology while he accepts help from a Swiss doctor, a few religious leaders and a Boeing aircraft. One must be consistent with oneself.

Mr Bakhtiar recalled his 38 days as Prime Minister during which he succeeded in persuading the Shah to leave and starting to dismantle the Shah's apparatus of control. He was then in communication with Ayatollah Khomeini in Paris, who asked him to step down hinting that he would later invite him again to be Prime Minister.

He had more severe criticisms for the Shah's twin sister, Princess Ashraf, who has tried to enlist the support of the Bakhtiar camp for groups of former officers of the Shah's Army now scattered about Egypt, Iraq and Jordan, hoping for some restoration attempt.

"I cannot accept the interference of Ashraf Pahlavi. She has always intervened with disastrous consequences for the King and the country. She cannot keep quiet. If she were to return to Iran it would be a trial by fire. It is not possible for me. She is intolerable."

Mr Bakhtiar said that there was little time left to save Iran from the communists and that the Soviet action in Afghanistan made a move that much more urgent. If the Khomeini regime collapses, the Communist Party, led by an old servant of Moscow, would be able to ask the Russians either to organize things for them, or even to intervene.

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Hunt for two rapists in eastern France

Longwy, Feb 3.—The police using helicopters and dogs combed eastern France today for two young unemployed trade union activists accused of raping two young Danish women at the start of a four-day armed crime spree.

The two students, aged 23 and 16, were lodged at the headquarters of the Confédération Française Démocratique du Travail at the time of the alleged assault on Wednesday night.

The two accused men were said to have used a rifle and a pistol on Friday night to force a woman living in the area to give them her car. Later they attacked a disco at the town of Saint-Martin, and shot into the air before making off with some 12,000 francs (£1,330), the police alleged.

At about midday today, the pair forced a couple and their daughter from the car at Pilon. They were later spotted by the police and officials said there was a brief exchange of gunfire, after which they slipped away.—AP.

Lord Carrington tries to reassure the French

From Ian Murray
Paris, Feb 3

Lord Carrington, the Foreign Secretary, spent the weekend here assuring his French counterpart, Mr Jean François-Poncet, that Britain had not overreacted to the Afghanistan crisis at the behest of the Americans.

The visit gave Lord Carrington the chance to emphasize once again the Government's commitment to Europe and independence of American influence.

Britain's strong anti-Soviet stance since the invasion of Afghanistan has attracted criticism in France on the supposition that President Carter has been using Mr Thatcher to air America's point of view.

According to Lord Carrington, his talks had shown there was much in common between the British and French viewpoints. The two countries had reached a very similar analysis of the Afghan situation and differed only in their reaction to the proposed boycott of the Olympics and about minor details concerning credit renegotiations.

"It is a mistake to think that the reactions of different countries should be exactly the same," he said. What is important is that we should all be seen to be condemning what has happened and that is what will leave an impression on the Soviet Union.

"Each of us has our own attitude to these things and that is understandable. But all we have to do is sing in harmony, not in unison."

He denied there was any difference of opinion between himself and Mr Thatcher about how to deal with the crisis. "We do sing in unison," he said, "and we make a sweet noise."

The other main topic discussed was, naturally, the European Community budget. It was clear that no headway has yet been made on Britain's claim for a substantial reduction in its contribution.

However it is understood that feelers are being put out to reach some sort of compromise and private talks have started.

Dutch dismay over synod outcome

From Robert Schull
Amsterdam, Feb 3

Reaction to the outcome of the special synod of Dutch bishops in Rome during the past three weeks was overshadowed by Queen Juliana's announcement of her abdication.

This coincided with the publication of the synod's final document, which was approved by the Pope.

But the first signs of disappointment and defiance are emerging. The *Volkskrant*, a leading Dutch newspaper of Catholic origin states that "the Church of the Netherlands has been placed under the permanent custody of Rome."

The vision of the church as a hierarchical institution in which everything is statically defined, as opposed to a dynamic conception of the church, has clearly won the day.

Disappointment was also

evident within the Dutch council of churches of which both the various Protestant churches as well as the Roman Catholic church are members.

Professor H. Berkhof, chairman of the council and a Calvinist, described the outcome of the synod as "a catastrophe" particularly with regard to the growing ecumenical cooperation between Dutch churches.

There are fears that the other churches in the council no longer know what to expect from the Roman Catholic church. Catholic laymen and priests have already expressed their defiance by saying that they will continue with the process of renewal in spite of the decisions taken in Rome.

They are prepared to discuss matters with the bishops "but armed with the Gospel we will not bow to authoritarianism."

The synod may have political consequences. The Dutch Christian Democrats, senior partners in the present coalition with the conservative Liberals, are still in the delicate process of fusing into a single political party.

At present Christian democracy in the Netherlands is a federation composed of three parties: one Catholic, and two Protestant.

Catholics now hold the three highest offices in the federation. Mr Andries van Aart is Prime Minister, Mr Ruud Lubbers leads the Christian Democrats, and Professor Pieter Smeenkamp, chairman of the federation.

Asked to comment on the outcome of the synod, Professor Smeenkamp admitted that it could affect political cooperation between Catholic and non-Catholic Christian Democrats.



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We took genuine pride in a way of life that made us the envy of the world.

"Made in Britain" really meant something. People in far-flung corners of the globe knew that if they bought British they were buying the best.

What has changed?

Very little.

We all still basically care for our country and what it stands for. In many areas our technology, our manufacturing skills and the products we make with them still lead the world.

What has changed is our own belief in ourselves.

Suddenly it has become clever to knock the British way of life.

And to knock the products we make.

It has become fashionable to buy foreign made goods. And to look down on home-produced products as somehow inferior. Just because they are made in Britain.

The concept of an international market, where nations trade freely, without hiding behind protective tariff barriers is a noble one.

But no-one else seems to play the game quite as freely as we do.

Too few of us realise that each time we buy a foreign product, we're not just sending currency abroad. We're giving a better lifestyle to the person who made it.

And worse, we're taking employment away from the British worker who could have made it.

Of course there can be valid reasons for buying imported goods. Britain no longer

produces certain products.

Whole industries have died, sometimes for good reason. But at other times we seem just to have talked ourselves into believing there is no place for them in Britain!

We still have a motor industry.

But this defeatist attitude is threatening its very existence.

As Britain's only British owned volume car maker, BL directly or indirectly supports some 2 million people.

And unlike Britain's other volume manufacturers, practically all the cars BL sells here are made in Britain.

It has a heavy investment of public money, the fruits of which are now beginning to come through.

The new Mini Metro and the Leyland T45 Truck are just two examples of many exciting

new products coming from BL this year.

BL certainly has a tremendous amount to gain from a positive shift in attitude towards the British buying British.

But the problem doesn't just concern BL, or even the motor industry. It hurts us all.

And the longer we go on building an artificial inferior image for ourselves and our products, the more damage we will do.

Our request is simply that you stop thinking that British products are inferior without taking a proper look at them.

Next time you are looking to buy *anything*, but especially a motor car, see how the British made product stacks up.

If then it doesn't suit you, we'll be surprised. But we'll have no complaint.

ISSUED MAINLY IN THE INTERESTS OF BL BUT ALSO ON BEHALF OF BRITISH MANUFACTURING INDUSTRY.

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Public and Educational
Appointments also on pages 9 and 23

ENTERTAINMENTS

A Times Profile

William Rodgers M.P.

Socialist gunning
for the left

He organized the Campaign for Democratic Socialism to bolster Hugh Gaitskell's fight back against the unilateralists in 1960. Nearly 20 years on, he took the chair at the first public meeting of the Campaign for a Labour Victory. The name is a euphemism. Its aim is to rout the left in the party. William Rodgers, Socialist Democrat, MP for Stockton and Shadow defence minister is packing his gun again.

The posse has not yet nominated its sheriff. Candidates for the next party leadership election but one — Hattersley, Owen, Williams, Varley, Rodgers himself — are not going to let any one of them make too much of the running. It makes the right look less than united, but they have to try to advance in line abreast. How does he see his own part?

"This need to recognise the central role of liberty in the fullest way is something which has to be said time and time again. I want to play some part in trying to fill this vacuum of ideas. But the actual donkey work is not for me to do today. It is for me to provide the support and encouragement, together with other people as well."

"The donkey work has got to be done by enabling the ordinary man and woman in the constituency to know there are strong arguments in favour of changes in the National Executive Committee, very strong arguments against some of the changes in the election of the leadership, the way the manifesto should be decided, re-election taking place."

"I do not actually believe that you should try and simply win an ideological battle. Of course you've got to try and make sure the right people are there on the right day, of course you've got to try and help trade union leaders ensure that the people who serve on their delegations are aware of the issues and are really representative of their trade unions and the movement."

"The victory that Hugh Gaitskell won in 1961 at Scarborough was not a victory only of votes, it was a victory of conviction. In between the '60 decision for unilateralism and its reversal many years later, persuaded people that there was something gravely critical for the labour movement and for the country and that there was a good case, Hugh Gaitskell's case, which had not been heard or considered. We won the votes in the end because we won the argument. Now we've got to try and win the argument."

"Going back to my days when I became secretary to the Fabian Society, I very well remember that when that selection took place there were those who said 'well, yes, Bill Rodgers is very good at organizing but does he have many thoughts in his head? I don't think they put it offensively as that, but that's what they meant — and I think, I hope, they came to the conclusion 'yes, perhaps he has'."

"I mean I have organized, because other people haven't organized and because it's easier to do. It's something which is easy to do. Other people don't find it so easy to do, but organization has always been the instrument of causes or policies or ideas."

"In the past, I was a very junior figure in the 1950s and 60s, a middle rank figure as a parliamentarian in the 70s and I saw my job as to provide the organization and administrative backing to other people who were in positions of leadership. That was true. Today my principal role is to try and provide it without the leadership, to point the direction, to state the issues and stick my head above the parapet."

"It is an attractive head with the arresting wavy black hair and blue eyes of his Celtic origins. The face can look careworn, enlivened by a shy smile. For a man who talks so well, he has an unexpectedly light voice, with its Scouse undertones. He has blunt, beautifully kept small hands, much used to a point. So, where does he draw his battle lines?"

"We've got to alert people to the very real dangers of drift within the party. The leadership of the party in the House of Commons and outside must draw attention to the very real dangers, not to any one of them, like the re-election issue, but to see that putting that in a five-year period and mean a shift of power within the party away from the coalition towards the left and away from parliamentary politics to the caucus. This is the objective and a good deal could be achieved simply by writing and talking about the dangers and options."

"There is a lot of talk about accountability which is plain nonsense — it's a catchphrase, it's an excuse, it's a device — but if people do believe that a Member of Parliament ought to be more positively re-elected within a five-year period and that don't deny or I wouldn't pretend that good people can take that view, partly because I don't think they realize what the effective conclusion might be in the end, in weakening the standing and reputation and independence of mind of Members of Parliament."

"They can take the view, though they've never been there, that the manifesto was jobbed together, though I think there's a lot of nonsense about this as well, and they can take a view about the election of the leader."

"If they genuinely think there are things to be changed in the National Executive Committee is the classic case where in no way can its present structure be justified. In the coming months those who believe that the party should be made more efficient and, all right, more democratic, more representative, more locked into a struggle for power within the party wanting the left to win, should say that the present situation is really quite ridiculous."

"I don't believe that the trade unions are much interested in the parliamentary party. The whole evidence of the last two or three months is that they couldn't care less whether the PLP is properly represented on the inquiry or not."

"A reorganized NEC could meet all they require in terms of a better run party and equally it would meet a great deal of what is required in there being a proper balance between the parliamentary and the non-parliamentary, between the political and the trade union, and inevitably there would be a balance between the left and the right. The ordinary active man and woman working whether it be in Stockton-upon-Tees or in Liverpool or wherever it might be would have a chance of sitting on the executive, which doesn't happen now, and would have a chance of having a much larger say in the running of the party."

"We've taken the lid off Pandora's box. If we really believe that reform is desirable and it is worth spending all this time, well then OK, all right, if that's the game we're in, then the NEC is a shining example of everything which is in need of reform and change. The Labour Party, of all parties, shouldn't allow the anomaly to continue."

William Rodgers' father was a clerk on Merseyside. The boy went to Sudley Road



council school and won a scholarship to Quarry Bank High School, a local authority grammar school, which has also produced David Barnett, Derek Nimmo, John Lennon and Sir Dan Pitt. The sixth form prefect two years his senior was Peter Shore. Thence young William got an exhibition to Magdalen, where he read history. His political attitudes were already formed.

"Can I just say why I call myself a socialist, because I think this is very relevant. I was born in Liverpool in 1928, I grew up there in the '30s and children are very sensitive to their environment and their atmosphere. I never lacked for people or a coat, or anything of that kind because my father was always in a job. He never earned £1,000 a year in his lifetime and we didn't have a motor car, but it was secure and stable and by the standards of Liverpool at that time respectable in every possible way."

"But I became extremely aware of the extraordinary poverty and degradation and violence and ugliness of Liverpool before the war. It's something which perhaps I began to articulate and put into place later, but basically it was the revolt against all that which was the basis of my socialism, just like my strongly passionate feeling about liberty. It is something which is in my guts. I can't actually say this is the logic behind it, it's just there."

"Within the Labour Party there are very large numbers of people who do think like me. I made a speech at Aberystwyth at the beginning of December and I had the largest post I have ever had about a speech. Some letters I discount, some were anti, some were in favour but clearly written by people who would never actually support the sort of views that I stand for, but I had a substantial number of letters from obviously very good Labour people who were deeply worried. The need is to convey the knowledge that they are not in their own."

"The difficulty is this, that in many constituency Labour parties, like my own, there is a very easy relationship with the MP. They don't want a leftward looking Labour Party, they don't want the Labour Party to be anything other than a coalition of the legitimate left and people like me. People in such parties, although they may be dismayed, as they are, by reading the papers how the NEC is behaving, feel it can't happen here, because we are all friends with each other. Now that is one group of people."

"The other group of people are those to whom it has happened, who have gone to meetings of the party and found themselves bullied, with a total absence of the friendship and tolerance which is at the heart of the Labour Party. They have actually left or found it extremely difficult to continue. Within the next year or so, by the end of this year, when we have to make sure that those who don't really recognize what's going wrong, because it's not happening to them, realize that the whole future of the party is at stake. Equally those who have gone out or are going out of parties must be persuaded that there are many of us who are prepared to fight very hard."

"I am not going to abandon the principles and conventions that I care about and there are very many others, particularly outside Parliament. If the crunch really came they would be standard bearers for the sort of party, should I say, that the Labour Party was once. But I hope it won't happen. I think we can rally opinion. I think we can convince by argument and I want to convince by argument."

"There are those who would like to use every industrial situation and every situation of conflict to damage the political and social fabric of the country. I don't think there are enough to do it. There are fundamental stabilizing factors in our society, there is a large body of people on the left, like myself, who would never allow it to happen."

"I hope it won't happen. As long as it is understood that those on the left who are intent upon ruthlessly pursuing their own point of view, irrespective of the consequences for the party and with the intention, if they can, of getting rid of Members of Parliament like me and many, many others, or making life intolerable for them, if this were to happen then I think

we would have to think very carefully indeed about how best to rally those who really stand for the traditional Labour values of conscience and reform."

He still dresses like the provincial journalist he nearly became, an almost eccentric combination of brown shoes, slate grey trousers, plum coloured sweater, white shirt, striped tie and black corduroy jacket. He applied for a job with the *Liverpool Daily Post* when he came down from Oxford, but they kept him waiting, so he accepted the advertising post of assistant secretary of the Fabian Society. Within two years he was appointed secretary. The runner-up on the short list was Peter Shore.

"I first met Hugh Gaitskell in 1951, I remember that because it was at a Fabian new year school. I remember going through the door into his room and he was sitting up on the bed preparing his speech. I saw him on and off because he came for a short period on the executive committee of the Fabian Society. Then of course he became a candidate for the leadership and I remember writing in some obscure place, probably the *Fabian Journal*, an article that said that as Clem Attlee was going to go and as Herbert Morrison was really too old to take it on, it should be Hugh. So I think that by the year he was elected leader, which must be 1955, I regarded myself as a Gaitskellite."

"I was much younger than him. I wasn't in any sense a close personal friend. I went to his house a few times but basically I was a young man in the Labour Party running the Fabian Society."

"I was not one of the Hampstead families. They were Tony Crosland, Roy Jenkins (who didn't live in Hampstead), Douglas Jay perhaps, Gordon Walker."

"I was helped into Stockton by Hugh Dalton. The great thing about Hugh Dalton, and this remains almost a unique quality in politics, is that he was somebody who was deeply concerned that young men should go into the House of Commons, young men whether from intellectual backgrounds, from public schools or from the trade union movement or with no obvious mark of that kind."

Hugh Dalton very selflessly tried to help and even push young men into Parliament and I was the last of his young men."

"The book that was most influential on me was Evan Durbin's *Politics of Democratic Socialism*. Durbin was very much a friend and contemporary of Hugh's. He died in 1948, trying to rescue some of the Jay children swimming off the coast of Cornwall. This is a marvellous book because, more than anyone before or since he really talked about the tyranny of the right and of the left. He was as much anti-Stalin as he was anti-Hitler and at that time, writing just before the war, this wasn't very fashionable on the left."

"I read a bit of it the other day and I wept over a fantastically good bit. It was a statement of the importance of the idea of liberty, of parliamentary democracy, the need to defend what you believed in. That's another thing which Durbin would say, that the use of force is endemic and it's no good believing in the values of socialism unless you are prepared to defend the house. No, that may sound a very obvious thing to say, but it wasn't that obvious to some people in the 1930s. There are quite a lot in the Labour Party today who, though they wouldn't admit it, are very doubtful about the need to have an adequate defence against those who might try to do you down."

He describes himself as a happy man. His wife is a qualified dentist, an artist and has recently been taking a post graduate course in social anthropology at the London School of Economics. They have three daughters. Does he get much home life?

"My wife and my daughters would say that I don't, but I do spend a good deal of time at home in some way."

"This is another part of my security. I've lived at the same address for 18 years and I feel that we are only just beginning to get the house in order. Some people like changing the whole time, but it's a stable, physical fact in my life. I like going to the cinema, I've always been a tremendously enthusiastic cinema-goer from my earliest years, going to see an Eisenstein film or *The Cabinet of Dr. Caligari* or alternatively whatever is new, so there are all sorts of things that I enjoy. I am very particular about who goes to the pictures with, almost always my wife. I don't like going with anyone who I don't know well."

Brian Connell

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David Steel

Profit-sharing: how to revitalize industry

During the next two months, the Chancellor of the Exchequer will be peppered with advice, from all quarters, as to what proposals he should include in the forthcoming budget. Now happily no longer unopposed by the entrenchment of the new Archbishop of Canterbury, the deeply worrying state of the British economy will permit him little room for manoeuvre, and it seems almost certain that indirect taxes will rise and that no further reduction in the standard rate of tax will be possible. Austerity, rather than incentive, is likely to be the new Tory watchword. Persistent rumours suggest that Sir Geoffrey Howe is anxious to ease the pattern of capital taxation. If so, he will have to be alive to the damage which will be caused if his second budget is perceived to be as divisive and unequal in its benefits as his first.

But there is at least one area where action by the Chancellor would be widely beneficial and almost universally acclaimed: namely in encouraging the further extension of profit-sharing.

The idea of profit-sharing and co-ownership is one which is of course dear to Liberal hearts. It has for many years formed a cornerstone of Liberal industrial policy. In 1923, the authors of the influential

Liberal Yellow Book (*Britain's Industrial Future*) wrote: "The real purpose of profit-sharing... is to show that the worker is treated as a partner and that the division of the proceeds of industry is not a mystery concealed from him, but is based upon known and established rules to which he is a party". The goal to which we have long aspired is to bridge the Gulf between capital and labour; to enable employees to share in the wealth they themselves have helped to create; and to provide greater incentive and a closer sense of identity through members of the workforce having a direct stake in the fortunes of their companies. This could be achieved, as Elliot Dodds wrote in 1948, "by giving the worker the opportunity to share in the direction and fortunes of the enterprise".

It was therefore scarcely surprising that one of the key policy issues upon which the Lib-Lab pact was constructed lay in the acceptance by the Labour Government in 1977 of the principle of profit-sharing and co-ownership legislation. In my letter to the Prime Minister setting out the terms of the agreement I had in mind, I wrote: "the Government has agreed to consider ways of encouraging the creation of

schemes for profit-sharing in private industry, with a view to legislation". This statement of intent was merely a prelude to a sustained period of consultation, discussion and persuasion between my colleagues John Paddoe and Richard Wainwright, and the Chancellor, Denis Healey. The culmination of this process was the 1978 Finance Act and its provisions relating to profit-sharing through share ownership. While profit-sharing schemes had already been well established in a number of forward-looking companies, from ICI to Habitat Design Holdings, it was only with the changes set out in the 1978 Act that profit-sharing was given its much broader appeal through significant tax concessions.

A company is now entitled to allocate up to £300 worth of shares for each employee every year. No tax liability exists, providing those shares are not sold for ten years. While an employee cannot dispose of his shares in the first five years of ownership, shares sold between 5-7 years of ownership are subject to tax at 50 per cent and those sold between 7-10 years, only 25 per cent.

Liberalism would be the first to admit that the 1978 measure represented only a modest, if significant, step forward. We

are a very long way from the aim of an industrial society where profit-sharing and co-ownership is the norm, rather than a tolerated exception. But ideals must be tempered by an acceptable degree of pragmatism if progress is to be made, and all the evidence suggests that profit-sharing is of growing interest to a wide range of companies. My colleague Richard Wainwright, MP, the Liberal Economics spokesman, recently wrote to each of the 99 companies which had pioneered schemes in the wake of that Act. The response was enthusiastic and, within a month, more than eighty of the companies had responded to his letter and short questionnaire. Interest in profit-sharing remains disproportionately centred in service industries and is only poorly supported, as yet, in the general industrial sector. Nonetheless, the survey revealed an encouraging spread of companies across 13 of the 22 main categories adopted by the *Financial Times* Index.

Without exception, the 1978 facility was applauded and a considerable majority were strongly in favour of its further extension. What should the Chancellor do to extend the legislation and provide further impetus to both

profit-sharing and wider share ownership? First, the £300 limit on share distribution is clearly far too restrictive, and a mood of some frustration at this was reflected by the companies surveyed. I suggest that the Chancellor raise the limit to £1,500. Secondly, the 10 year limit before disposal becomes free of tax needs to be considerably reduced. Not surprisingly, this proposal is of particular and prime concern to employees. I favour a five year holding period, after which time there would be no tax liability for the employee. Thirdly, there is scope for the introduction of a parallel scheme in the public sector and for those in smaller private business. It is a common and justifiable complaint of those outside the private sector—teachers, nurses, doctors and other public servants—that tax concessions are given, partly at their expense, in which they have no chance to participate. In this respect, the French system, enacted in 1978 under the title *Le Loi Monory*, allows every French household which buys up to 5,000 francs of equity shares in industry (with more generous limits for large families and elderly people) to deduct the entire cost of this from the taxable income of the year. The permitted shares may be in a unit trust or by direct

investment in companies, and its effect has been to substantially enlarge the operation of the French stock exchange. Of course, such a proposal, which is concerned with wider share ownership rather than profit-sharing, should not detract from the main purpose which must be the provision of opportunities for employees sharing directly in the profits of the company. For those for whom profit-sharing has been something of a creed, all this may seem relatively modest. Powerful obstacles remain, not least from the institutional investors who have their own reasons for blocking the significant expansion of profit sharing. But the Chancellor has the opportunity not only to extend something which has a wide measure of public support at little cost to the Exchequer, but to develop a mechanism which could provide a far more positive contribution to industrial regeneration and employee incentive than anything his Government has so far produced. Liberals are the Government's ultimate aim of a prosperous economy, but the benefits used in reaching that goal should be those which unify, and not divide. The author is the Liberal Party leader.

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No time for pressure on Israel

Events in January both advanced the crawl towards peace in the Middle East and introduced a new hazard in the shape of the Soviet occupation of Afghanistan. The establishment of peaceful relations between Egypt and Israel has progressed by the fulfilment so far of all Israel's commitments under the peace treaty with complete honesty and honour as President Sadat put it the other day. Far too little recognition has been shown of the magnitude of those commitments by Israel. In the course of the wars brought about by the hostility of her neighbours, Israel, at very heavy cost in lives, occupied territory which improved her defences and gained possession of oil wells which provided a substantial proportion of her energy needs. She is still fighting for her existence, and is entirely dependent on imported oil in the face of the new uncertainties in Iran and Afghanistan, has nevertheless given up these major strategic and economic advantages.

The exchange of such tangible resources for promises has not been made without misgivings. Many army and political leaders believe that too much is being given too soon. Professor Yuval Ne'eman, a former director of Defence Planning, heads a new political party which expresses this apprehension. They are afraid that something may go wrong, that after Egypt has regained the whole of the Sinai, its pan-Arab sentiment will come to the fore and the territory could become the springboard for another invasion, this time with Israel in greater danger. But the majority of Israelis, like their government, accept the risks for the hope of peace, and in the same sober, even sombre, mood, the country enters the next stage of the Camp David peace process, autonomy for the West Bank and Gaza.

At this stage, the Egyptians and the Israelis still are in the same position. They are, however, it is certain that by the time the May deadline is reached, both will have shifted from their present positions, the degree of movement depending to a very great extent on what the United States does. In recent weeks, America has been offered a chorus of advice. It is being told that the Camp David plan is bankrupt, that the settlement of the Arab-Israeli dispute is a prerequisite to rapprochement between the Muslim world and the West, that it cannot be achieved without the PLO and that another method to bring peace must be found. That has always been the line of the Soviet Union but it appears to have gained a new recruit in Lord Carrington who has been saying much the same thing since his visit to Saudi Arabia last month. The Saudis apparently told him, as they have been telling President Carter, that only if the Palestinian problem is solved—presumably in the West Bank—can they support the West in its confrontation with the USSR over Afghanistan. Sheikh Yassir, for good measure, has also made statements linking oil policy with such a settlement.

Stripped of the circumlocutions, what America is being asked to do in return for an Arab alliance with the West is to bring pressure on Israel to accept what she perceives to be a danger to her vital interests. The questions are whether the price is one which should (or can) be paid and whether, even if it is, the result will be a transformed Middle East with the Muslim world securely in the western camp.

And precisely what is the price? The advocates of the deal used to be language like the "rights of the Palestinians", but what they mean is western support for a Palestinian state on the West Bank, which would certainly be a Palestine Liberation Organization state. Even a question of morality and justice is set aside—the fact that the PLO aims to nullify the Jewish state, that it rejects United Nations resolutions and employs terrorism—methods—it is difficult to reconcile the political interests of the West with the strengthening of the PLO. The organization is firmly in the Soviet camp, it is involved with the Khomaii regime in Iran and helped to train some of its militants. It has secured full support for the invasion of Afghanistan. It is, moreover,



Professor Yuval Ne'eman: too much too soon.

not only hostile to Israel but to Sadat's Egypt also, the only two states in the Middle East with the means and the will to stand by the West. If Israel were to be pressurized into creating conditions for a PLO-controlled West Bank, what assurance would there be that the Afghan precedent would not be followed and the Soviets "invited" in?

Nor is there the slightest assurance that a settlement on PLO lines would automatically bring tranquillity to the Middle East. None of the recent ominous developments in the area has had any connexion with the Arab-Israeli conflict. The Ayatollah, as a Muslim fundamentalist, is dedicated to the cause of the Muslim Palestinians, but that was not the motive for his revolution. His followers hold hostages, not in protest against American support for Israel, but as a weapon against the Shah. The crisis in Afghanistan is totally unrelated to the Palestinian problem. Saudi Arabia is quaking because its princely rulers are afraid of following the Shah. Were the Arab-Israeli conflict out of the way, these and other non-Palestine related problems would ensure the continuance of Middle East instability.

The Arab-Israeli dispute is but one of the ingredients of the turmoil and not, by any means, one of the most important or the most urgent. To regard it, as we are being asked by the Arabs and their friends, as the first priority is to divert attention from what the real priorities should be. They include the necessity for decisive action, which both the United States and Europe have so far shirked, to reduce dependence on Arab oil. The creation by the West of a credible deterrent against further Soviet expansion should be far higher on the agenda than the Palestinian question.

This is not to suggest that progress on autonomy for the West Bank and Gaza is unimportant; it can be a first practical step in the solution of the Palestinian problem. The West must support and encourage the Middle East countries talking about peace and by giving the Palestinians no grounds for believing that they can make gains through demands, threats or terror.

The Arab-Israeli dispute has a long history and will take time to overcome and five years is little enough time for a transition. The momentum must be maintained, but the problems are not susceptible to the "quick" solutions now being demanded.

Israel will have to move further along the autonomy road but when it does, it will be the result of influences, both in Israel and from abroad, which show awareness and understanding of her interests and fears. Only negotiation and not the application of forceful pressures can bring lasting peace and if America is believed to "be able to deliver" Israel, what inducement is there for the Arabs to negotiate?

President Carter has resolutely proclaimed his resistance to the hostages blackmail. The West should similarly reject the demand for pressure on Israel. The price of Arab support or for oil.

They would put all the local trains and freight trains in side tracks and let the Broadway through. "Now it's all changed. They let the freight trains through. They're so long, some of them, that they haven't got no other tracks to put them on. We was early on our way, going to be late," he sighed, giving a pillow a philosophical pat. We were an hour late but I had found the trip extraordinarily relaxing. I had managed, moreover, to write a complete column during the day—the purple cover over the lavatory seat proving perfect height for typing. The sunrise over the steel mills would by itself have been worth the fare—\$116, or about \$50, the same as the fare by sleeper from London to Liverpool, a journey some 220 miles shorter. I shall certainly do it again.

Michael Leapman

Why Britain should support Dr Savimbi

There can be little doubt that, for all the widespread awareness of the dangers and difficulties, Lord Soames faces in Zimbabwe, many politicians and most diplomats feel Britain has finally managed to throw off her role and responsibilities in Africa.

Despite flutters of nervousness about the operation of the ceasefire, despite concern about what may happen after a general election, the feeling in Westminster—and particularly in the Foreign Office—is that the thing is over; and good riddance. As one diplomat put it the other day: "Now we can get back to having a foreign policy" by which he meant that Lord Carrington would be able, at last, to find some time for the affairs of the EEC.

Not only is this a remarkably short-sighted way of looking at things, it is a positively dangerous one. Throughout the constitutional conference the noises off have all been from the Russians and their European and African surrogates. Moscow has all along profoundly hoped that chaos would supervene, not only in Zimbabwe, but in Zambia and in Namibia, which would shortly be opened; that South Africa would be lured into interperate action by a breakdown of order north of her borders; and that, eventually, the long-nurtured Russian takeover of Africa through Cuban and East German mercenaries would happen.

And even those in Britain who have long been aware of the Russian threat to Africa have shrugged in despair at the prospects that have emerged from Lancaster House, for they have all along

been convinced that the true barrier to Soviet imperialism is made up of white men like Mr Ian Smith and General Walls. The first already superseded, the latter likely to be so relatively soon.

In my judgment, the true barrier is a black man, one who has the most formidable political and military record in Africa. He is Dr Jonas Mwaingo Savimbi, the leader of the UNITA movement in Angola. With 15,000 men, no air force, and inadequate munitions, Dr Savimbi now controls nearly two thirds of Angola, despite that against him he has 80,000 regular soldiers owing allegiance to the regime in Luanda and 34,000 Cubans.

At least since the South African invasion of Angola just before independence—an intervention terminated under pressure from Dr Kissinger—it has been assumed throughout Africa first, that the Cubans were unwilling to face white troops, which is why they have not sought to intervene in Zimbabwe, and second, that they were invulnerable against any black African army.

Dr Savimbi has given the lie direct to the second of these propositions; and the consequences of his relative success so far offer enormous hope for western interests in the continent, in spite of the ironic fact that he has been slighted when he has not been despised by western nations and particularly, alas, by Britain.

Dr Savimbi's troops stand across the Cuban road to the south, and particularly to Namibia. They have intercepted the main Angolan railway, and brought the Luanda government, first under the late President Neto and now under



Dr Savimbi and his guerrillas: a commander of real skill.

his successor, President Dos Santos, virtually to his knees. Dr Savimbi himself is a military commander of real skill, spending, unlike so many dissident leaders in the Third World, up to ten months of each year in the bush with his men. But being unable to challenge Luanda in the air, UNITA finds it difficult to take and hold towns. They have created a highly sophisticated and even complete society in those parts of the country they do control, with hospitals, schools and a functioning economy.

With all this the fact remains that Dr Savimbi, and those closest to him, are unrepentantly anti-Marxist, anti-Russian, and pro-western. And this is the case in spite of the fact that western nations have ignored their struggle.

When I met Dr Savimbi recently I was struck by his complete lack of bitterness and even charity towards the western nations who left him for so long to struggle not only in his own interests, but in theirs. But that feeling—which was

principally one of regret—was soon overtaken by my appreciation of the man's extraordinary dynamism. Stocky, barrel-chested, leather-jacketed, he exudes not only charm, but a quite extraordinary force of personality. Here, I felt throughout our talk, was the African leader.

While things have become better for Dr Savimbi and UNITA in recent months—he has been well received in the United States, is welcome in several African countries, and has recently excited the interest and attention of Herr Strauss, the West German opposition leader, and senior German government officials, in the West generally, and in Britain in particular, his war remains unending, his fight ignored, his significance disregarded.

It is hard, objectively, to find any justification for this. After all, and even for those British who regard the process of bringing Zimbabwe to legality as being in the end the tying up of an old problem rather than the beginning of a

new era, it is clear that events in Angola will deeply influence the future in all of central and Southern Africa. Further, even the most uninterested in African affairs are accustomed to bawling the march of Russia down the continent and to bewailing as well, the Marxism or semi-Marxism of black African leaders. To the laudable assumption that there is very little we can do to halt that march Dr Savimbi and his warriors are the standing, and fighting, contradiction.

Imagine, for a moment, that the settlement in Zimbabwe works, that relative peace and stability follows the general election over which Lord Soames is to preside. Imagine, further, that Dr Savimbi actually wins in Angola—and he is on the verge of doing that. Suddenly the whole future of Southern Africa will look different. Zambia, her route to the south open again, will prosper. The already embroiled Mozambique will be given a further, and per-

haps final, push towards the end of the socialism of such as Dr Nyamira of Tanzania will be discredited and Kenya and Nigeria will be encouraged. The mineral wealth of the southern half of the continent will remain available to the free world and all Soviet ambitions in the area will be turned to dust.

And yet, with all these extraordinary opportunities available, Dr Savimbi cannot enter Britain, will not be officially received here, and gains little attention from British press and television. It reminds me of a brilliant essay, written in 1975 by the American conservative writer William F. Buckley, on the subject of President Ford's refusal to meet Alexander Solzhenitsyn. "How clearly," Mr Buckley wrote, "every day we lose the activities of the free nations of the world in juxtaposition with those of the enemy, their moral—yes moral—superiority strikes us."

He went on to say that, though the President of the United States would not receive Solzhenitsyn for fear of offending the Russians, "I cannot think of a single person of international stature who would be denied access to Leu-nid Brezhnev on the grounds that seeing him would offend American official or public opinion."

And Mr Buckley went on to describe the rapacious reputation accorded in Russia to the black militant Angela Davis. His words apply even more heavily to the case of Britain and Dr Savimbi. We have struggled to procure a settlement in Zimbabwe, yet we ignore—and even seem bent on throwing away—the fruits of that settlement for the sake of placating a tinpot government in Luanda and the Cuban mercenaries which keep it in power.

Surely Mrs Thatcher, of all western leaders the one who has most clearly articulated a response to the Russian threat, cannot be as blind and uncaring as the Foreign Office would make her?

Patrick Cosgrave

Who says 'My meaningful associate and I'?

It is not often that we have reason to complain of a deficiency of vocabulary in English. Usually our prolix language coins new words as fast as new needs arise, and often faster. But we still badly need a suitable word for those who are living together without benefit of clergy or registry office. Although the need has been apparent for some years, none of the words we have come up with so far are satisfactory, some being unduly bureaucratic, and others intolerably twee.

In the first category, the Social Services Correspondent of *The Times* has toyed with *cobabites*, which is ugly, as well as irregularly formed. The regular *cobabitant* is still a

mouthful. It might pass in written Bureaucratese, but not in conversation. "Have you met my *cobabitant*?"

American organizations, trying hard not to discriminate against unmarried couples, have tried to introduce *meaningful associate*, *special friend*, *domestic associate*, *current companion*, and *one designated significant other person*. These have led to a shudder of whimsies, with people introducing each other at parties as *my significant other*.

All these phrases deserve to be given thumbs down for being ponderous, euphemistic, pedantic, or altogether unhelpful. The Department of Health and Social Security has begun to recognize this

linguistic deficiency. In its latest circular on the Cohabitation Rule it settles for those who are living together as man and wife, which is circumlocutory, has no singular, and is no good for everyday use. In addition extreme feminists object to the phrase on the grounds that it should be either *husband and wife or man and woman* (and why does the man automatically come first, you swine?).

It does not care for URAW (Unrelated Adult Woman), which has been tried by the California State Welfare Department. You can work out the male equivalent for yourselves. *POSSLO* (Person of the opposite sex sharing living quarters) used by the United States Census Bureau, does not come trippingly on the tongue, rather pompously round the tonsils. The best of the official terms introduced so far is companion, borrowed from the French and Cuban use of their equivalent words. Several airlines have introduced *companion fares* for allied couples to travel at reduced cost instead of *mate rates*.

Turning to the informal coinages, boo to *friend*, boy-

friend, girl-friend, and chum, for being too euphemistic and squalidly the established meanings of those words. They also sound arch when applied to mature unmarried lovers together. *Consort* is stuffy, and in the United Kingdom has the ring of royalty. *Mene, Mene, Tekel* to such coinages as *mate, partner, housemate, chamber-mate*, and *live-in friend*. *Marvin* and *marvinizing* were topical jokes that are now stale. *Ummur*, derived from the embarrased resolution of the verbal dilemma by a mother introducing her daughter's co-habitant, and this is Oliver, my daughter's um, is not a serious proposal.

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Philip Howard

DIARY ABOARD THE BROADWAY

The Fort Wayne taxi driver pulled to the side of the road and said: "Here you are. This is the railroad station." This was thoughtful of him to tell me, for I should not have recognized it otherwise. An isolated Italianate building with an arched roof, quite handsome in itself, it stood amidst a bleak wasteland, abandoned by humanity, dotted only with a few low darkened shacks connected with the motor trade.

That was the inauspicious start of an adventure to which I had been looking forward greedily. The airlines of America are certainly the most competent form of transport in the world, yet I get tired of traipsing around crowded airports, being funnelled through security systems and narrow aircraft doors, then jostling to get off. So I had decided to return from Indiana to New York by train.

All long-distance trains in

America are now run by Amtrak, a corporation funded by the Federal Government. Amtrak has tried hard by aggressive advertising and improvements to the equipment, to revive rail travel in America. One of their techniques has been to introduce a reservation system like booking a seat on an aeroplane. You dial their national headquarters, and when you pick the ticket up it comes in a folder like those the airlines use.

I had left myself a couple of hours free time, hoping that I might be able to get a meal at the station buffet. I had visions, although I realized they were improbable, of a cultivated restaurant like those at French stations, where the waiters add up the bill on the table cloths. After all, the oyster bar at Grand Central Station is one of the best restaurants in New York.

As soon as I saw Fort Wayne

station I recognized that the opportunities for gastronomy would be limited. The echoing passenger hall was entirely deserted. In the ticket office a man was gazing dully at a computer terminal.

I tapped at the window and he came, a big reluctant, to give me my ticket. I asked him if there was any prospect of food. "Hell, no," he replied crisply, and went back to his terminal.

I therefore ventured to the desert outside where, across the vacant lots, I spotted a red neon sign. I headed for it eagerly but as I approached I could see it read: "Carburetors repaired." Further on there was another sign which I could now see announced "Hamburgers".

It was a narrow but with heavy chrome decor, not unlike a railway carriage itself. The thin-faced waitress greeted me with: "Train late again?" "I'm early," I confessed,

and ordered a hamburger which turned out to be the smallest I had ever encountered, about the size of a bridge roll with a thin smear of meat. Still, it was only 30 cents (about 14 pence) and I had a decent slice of pumpkin pie to follow.

By five to eleven, a half hour before the train was due, the waiting hall was filling up and a dozen people occupied the dark wooden benches. The station handles only two trains a day—the express from New York to Chicago in the early morning and from Chicago to New York late at night—so it is scarcely possible to get on the wrong one.

An indecipherable loud-speaker announcement summoned us to the platform.

A light appeared in the distance and the legendary Broadway Limited, pulled by three diesel engines and clanging its bell like they do in the films, drew noisily alongside.

It was a romantic sight but much of the gloss became tarnished as soon as I stepped on board. I was in a single sleeper, which Amtrak calls a "roomette"—probably the ugliest composite word ever invented. It consisted of a single seat, some four feet wide, facing a lavatory covered with a purple plastic platform to serve as an occasional table. There was a tiny basin in one corner and the bed swung down from behind the seat, occupying the whole six-foot length of the cabin. The fabric covering the seat was frayed and a cigarette butt was floating in the lavatory.

I pulled the bed down and lay on it, comfortably watching the lights speed by as we approached Lima, Ohio, where I admired the floodlit Romanesque tower of a building near the station. I slept, awaking at 6.30, just before dawn.

I have seen the sun come up

over the Bosphorus, the Alps, the Himalayas, and many evocative parts of the world, but none exceeds in drama the sunrise over the steel mills of Pennsylvania.

A fierce orange glow, nearly scarlet, filled the sky behind the Edgar Thompson works of US Steel, just beyond Pittsburgh, highlighting in relief the domes and curling pipes. The system for ordering breakfast was of the kind I have previously encountered only in the gentlemen's clubs of Pall Mall and Fifth Avenue. Instead of addressing the waiter directly, customers are required to write their orders on a form.

With the bed folded back into the wall, I could sit on the frayed seat and enjoy the view of the Appalachians, fringed with snow, as for a while the train ran alongside the icy spectacular Susquehanna River. Then I went into the corridor to engage the

sleeping car attendant in conversation. His name, according to his badge, was B. Richardson, and he had been working on the Broadway Limited for 40 years.

"I used to be better than this," he said. In the old days this was a businessmen's train—you know, with their briefcases, their papers, their cosies. They were all people who were going somewhere. They were walking fast and talking high. Now we get young kids and people who can't afford to take the airplane.

After an undistinguished lunch we reached Harrisburg, where the Washington section splits off. Soon afterwards we picked up our first delay. The train stood for about half an hour without moving. I went again to consult B. Richardson, who was sitting bed-side.

"They haven't got a track for us," he explained. "It used to be that if we were late

they would put all the local trains and freight trains in side tracks and let the Broadway through."

"Now it's all changed. They let the freight trains through. They're so long, some of them, that they haven't got no other tracks to put them on. We was early on our way, going to be late," he sighed, giving a pillow a philosophical pat. We were an hour late but I had found the trip extraordinarily relaxing. I had managed, moreover, to write a complete column during the day—the purple cover over the lavatory seat proving perfect height for typing. The sunrise over the steel mills would by itself have been worth the fare—\$116, or about \$50, the same as the fare by sleeper from London to Liverpool, a journey some 220 miles shorter. I shall certainly do it again.

Michael Leapman

General Motors
from
the inside,
page 16

THE TIMES

BUSINESS NEWS

Shots in the
counter
revolution,
page 17

■ Stock markets
FT Ind 447.8
FT Gilt 66.45
■ Sterling
\$2.2740
Index 72.0
■ Dollar
Index 85.2
■ Gold
\$677.5
■ Money
3 month Sterling 17½ to 17¾
3 month Euro-£ 14½ to 14¾
6 month Euro-£ 14½ to 14¾
Friday's close

IN BRIEF

Meccano workers to discuss new offer

Workers in the tenth week of a sit-in at the Meccano and Dinky Toy factory at Speke, Liverpool, are to meet today to discuss revised redundancy terms being offered by Airfix Industries.

This will be followed tomorrow by the first meeting in a series of a joint management-union working party set up to try to find a buyer for the plant before the end of this month.

The 940 shop floor workers have repeatedly rejected redundancy terms so far offered. During the past week they have allowed Airfix to send management representatives into the plant for the first time since the sit-in began. The company has said it will take no legal action to recover the premises until the end of this month when the statutory 90-day notice period runs out.

The new offer adds a lump sum payment of three months' wages to the redundancy terms and increases the £150 top-up payment already made to workers with more than 15 years' service.

Leaders of the sit-in acknowledge that there may now be some of the work force who are willing to accept redundancy.

Hotels shortfall
London could be short of more than 20,000 hotel beds in five years' time if Britain's popularity with foreign tourists continues, Mr. Jonathan Bodender, a member of the English Tourist Board, claims. He expects up to 19 million visitors to Britain by 1985 compared with the present 13 million.

Mersey settlement
A settlement is expected today of the 10-day old unofficial strike of 234 shore gang men on the Mersey which has caused eight vessels to be diverted and left half a dozen stricken in the port of Liverpool. The dispute is over improved redundancy terms for 22 men.

£24m coal contract
Murphy Bros has won a £24m, nine-year contract to export 2,500,000 tonnes of coal from the Irish opencast site, near Chesterfield. Most of it will be burned in power stations. Murphy is already working on seven other opencast sites for the coal board.

Textile VAT plea
Government action to halt the decline in the clothing industry has been demanded by Mr. Alec Smith, general secretary of the National Union of Tailors and Garment Workers. He wants the removal of VAT from all clothing, preferential interest rates for manufacturers and grants to stimulate investment.

Leyland venture
Leyland Vehicles is to announce soon its first joint venture with a European manufacturer for the supply of components. Two more deals for the joint manufacture and development of components are at an advanced stage.

Inflation nears record
Annual price increases paid by consumers worldwide are nearing the 15½ per cent record set in 1974, according to the latest report of the International Monetary Fund. The rate dropped to 11 per cent in 1976 but has been rising ever since.

Machine orders
T. Churchhill, the machine-tool manufacturer, has won orders worth £3,500,000 in 15 months for its computer-numerical-control Compu-nalche. It plans to sell 10 Compu-nalche a month during 1980.

Sir Jasper Hollom likely to become chairman of City Takeover Panel

By Hugh Stephenson
Mr. Gordon Richardson, governor of the Bank of England, is expected to announce shortly that the next chairman of the City Panel on Takeovers and Mergers is to be Sir Jasper Hollom, aged 62, deputy governor at the Bank until his retirement at the end of this month.

He will replace Lord Shawcross who is 78 this month and has been chairman of the Panel since it was reshaped and strengthened in 1969. The exact timing of the changeover has not yet been decided.

The choice of successor to Lord Shawcross seems to have caused surprise among members of the Panel. Responsibility for the appointment lies with the governor, and Lord Shawcross was known to have placed his resignation at the governor's disposal some time ago.

Most City opinion was that Lord Shawcross's successor in this key position in the City's system of non-statutory self-regulation would be either a lawyer, like Lord Shawcross, or someone with detailed experience of the securities markets.

Until the decision, the most likely candidate appeared to be Mr. Patrick Neil, QC, the Warden of All Souls College, Oxford since 1977. He has been chairman of the Council for the Securities Industry (CSI), the Panel and the Stock Exchange, since it was formed under the sponsorship of the Bank of England in 1978.

More recently, the view has been expressed that it would be difficult for Mr. Neil to be simultaneously chairman of the Panel and of its parent body the CSI.

As CSI chairman, Mr. Neil has also had problems with the City establishment in his efforts to impose a code of conduct on the issuing Houses Association in respect of their responsibilities when bringing companies to the stock market.



Lord Shawcross, key position in the City.



Sir Gordon Richardson: responsibility for Panel appointment.

A second candidate as successor to Lord Shawcross might have been Sir Alexander Johnson, who has been on the Panel itself since 1970 and has also been Mr. Neil's deputy at the CSI since its foundation. He was formerly chairman of the Inland Revenue and until 1978 deputy chairman of the Monopolies Commission. He has been heavily involved in some of the Panel's most difficult investigations in recent years.

Sir Jasper Hollom's whole career has been in the Bank of England, which he joined in 1936, rising to become chief cashier and, in 1970, deputy governor. He is not a lawyer and has no direct experience of the securities industry.

He is, perhaps, best known outside the Bank for his chairmanship of the "lifeboat"

committee set up with the clearing banks to contain the possible collapse of the financial system after the secondary banking crisis in 1974. He is also the Bank of England's representative on the CSI.

Sir Jasper did not seek a renewal of his five-year term as deputy governor. The governor was clearly keen to promote younger men within the Bank and he combined the announcement that the new deputy would be Mr. Christopher McMahon, with the news of substantial changes in the organization of the Bank to take effect from the end of this month.

Mr. McMahon will in future be directly responsible for coordinating both the Bank's policy and its operations in the field of monetary policy.

Work on new Navy vessel begins ahead of decision

By Peter Hill
Industrial Editor
British Shipbuilders has started work on a new design of offshore patrol vessel for the Royal Navy, even though the Government has not yet decided which of a series of designs it intends to order.

The loss-making state concern, faced with a shortage of orders and the need to maintain employment in its yards, has gone ahead with the work on the OPV Mark 2 design which its planners have developed in cooperation with the Royal Navy's ship design department.

A replacement for the aging fleet of Tonn class fishery protection vessels has been under consideration for more than three years and 18 different designs have been studied. The issue has become controversial because of the competing claims of the OPV Mark 2 and the privately designed and developed Osprey.

The OPV Mark 2s are expected to be built over the next few years at an estimated cost of about £150m to patrol Britain's 200-mile limits. The navy's strong support for the OPV Mark 2 has upset the Osprey's designer, Thornycroft Giles & Associates, which claims that its smaller vessel could fulfil the role at a cost of about £3m per ship.

Last November, in a brief debate in the Commons, Mr. Keith Speed, Under Secretary of State for Defence, said that the Government hoped to make a decision on the choice of OPV "before too long".

He added: "But the decision that we make will have implications for the next 25 years and will represent a not insignificant sum of public money."

Discussions have continued since but British Shipbuilders has begun work on the OPV Mark 2 ahead of government statement.

British Shipbuilders would not confirm officially that the work has already started at the Aberdeen yard of Hall, Russell but privately admits that the yard has cut some of the steel for the first of the series of OPV Mark 2s and that steel has been ordered for the second ship in the series.

The decision has been taken in anticipation of the OPV Mark 2 being ordered as some of the steel has been cut.

A spokesman for the Ministry of Defence (Navy) said: "The choice of design is under consideration and we hope to reach a decision fairly soon now."

His union's pay claim this year in the clearing banks is for 25 per cent across the board with higher increases for new entrants and some clerical staff. The union said that this would be used as the basis for the TSB claim but if the mediation goes against the union, the claim will include a parity element.

The union has an agency shop agreement with the TSBs, pre-dating the 1971 Industrial Relations Act, which specifies that staff joining the banks have either to join the union or pay a sum equivalent to their subscriptions to charity.

Staff in the banks have also authorized negotiators to press for a reduction in working hours and for consultations on the regional banks. Staff at the TSBs work a 36-hour week, compared with 35 hours for staff in the main clearing banks. Also, the union is pressing for late night opening on Thursday evenings, which has been dropped.

As the offshore crude now accounts for more than half of Britain's refinery requirements, a rise in its price coupled with the increased cost of crude supplied by members of the Organization of Petroleum Exporting Countries (Opec) would almost certainly force

companies in the United Kingdom to pass on increases to their consumers.

The new round of oil price increases has come at a time when prices in the spot market have been falling sharply. It is now possible to pick up cargoes of Middle East oil from Rotterdam, the nominal centre of the oil market, at prices as low as £29.75 per barrel, or less than the official cost of crude in the Gulf.

The new Nigerian price is particularly high under the changed circumstances of the oil market in the past two years. The oil price has been held to taking the oil while their contracts last, but with a relatively mild winter, an expected recession, some increased production outside Opec and record stocks, there may be no rush to take up new contracts at the same levels.

Mr. Nicholas is likely to rise by between 2p and 3p a gallon as a result of oil price increases last week.

Nigeria's decision over the weekend to raise crude from \$30 to \$34 a barrel will put the strongest pressure yet on the British National Oil Corporation (BNOC) to raise its own prices from the moderate \$29.75 set earlier this month.

Ministers lose their enthusiasm for changes in monetary control

By Caroline Atkinson
Treasury ministers have lost much of their enthusiasm for big changes in the system of monetary control. In particular they have had increasing doubts about the wisdom of giving up the control which they now have over the level of interest rates in the economy.

The consultative document on money control now being prepared by the Treasury and the Bank of England may not be published until the beginning of next month although it was originally expected last year.

The suggestions of some monetarists that the Government should move to a system of base control, with interest rates determined automatically by the market, lay behind the decision to produce a consultative document on money control. Both Mr. Nigel Lawson, Financial Secretary to the Treasury, and Sir Geoffrey Howe, the Chancellor, were originally very attracted to the idea of monetary base control.

However, as the debate within and between the Treasury and the Bank of England has got under way, the problems in-

involved in such a switch have seemed more serious to ministers. They are not sure how far they want to go down the road of non-intervention in the money markets.

The advocates of monetary base control say that by controlling the quantity of notes and coins, and of bankers' balances at the Bank of England, the Government can control the overall supply of money or credit in the economy, leaving the market to determine its price, that is, the level of interest rates.

One big problem is that this could lead to very volatile interest rate movements. In theory the Government may have sympathy for the view that it cannot control both the quantity and the price of money, but in practice very difficult for governments to give up completely their use of discretion on the politically sensitive area of level of interest rates, and easy for them to justify such discretion on the grounds that it enables smoothing out of unnecessary short-term interest rate movements.

There are several related issues, which are difficult although not impossible to sep-

arate. The Government has to decide whether to deal with all of these issues, and to announce decisions on them or to leave them open for discussion.

The Chancellor is in favour of a wide and thorough debate before important changes in the money system are made. However, there is some concern on the part of those at the Bank of England and the Treasury most directly involved in running the system now that a period of uncertainty and public debate could have a destabilizing effect.

One other issue is the choice of the measure of the money supply that the Government aims to control. No one measure is perfect, but a system of monetary base control requires that interest rates are linked firmly to one particular measure.

Phillips and Drew, the City stockbrokers forecast a peak in inflation at just over 20 per cent in the middle of this year as output falls sharply between 11 per cent and 2 per cent. It expects the Chancellor to produce a deflationary budget with a rise of about a quarter in duties on tobacco and alcohol.

Losses forcing DCM out of US and France

By Rosemary Unsworth
Losses at Dumble-Combe-Marr's American subsidiary, which the toy group announced at the weekend will be closed, result in an overall loss of £1m at the year end, according to City analysts.

The group, which lost £5m in the first half, is also closing its French subsidiary by April. Mr. Richard Beecham, managing director, said yesterday that the group's losses, which had been between £100,000 and £500,000 in the past five years and would be sold with the distribution rights for its products.

DCM filed for a legal moratorium on its Louis Sarx American operation to gain a six-month breathing space to keep creditors at bay while it concludes negotiations for the sale of the assets.

Discussions are going on with Leisure Dynamics to buy the selling and distribution rights in the United States.

DCM's Aurora product range, and with Empire of Carolina and a third, unnamed American company's other assets. These talks could be concluded by the end of the month, Mr. Beecham said.

DCM has not worked out the full extent of its American losses, and its second half results will be affected by a poor Christmas and high interest rates in the United Kingdom. Mr. Beecham said that DCM would not finish the year with good results.

Pretax profits last year were £895,000 compared with £5.4m the previous year. The group's first step towards paying its American creditors will be the flotation, planned for May, of its DIY and industrial division which contributes about £1m profits.

But Mr. Beecham said the group was prepared to sell the division "at the right price" before then.

Dumble moved into the United States market in the mid-1970s but was hit by price competition and the recession as well as interest charges. With shareholders' funds standing at £23.5m at the end of 1978 the American problems will hit assets hard, and City men believe that the group is almost certain to pass the final dividend.

Price at the Japanese ports of entry is the key factor. Whisky coming in at Yen 4,100 (£152p) per litre, or less, carries a tax of 150 per cent. Above that price, the tax jumps to 220 per cent.

Until now only de luxe whiskies were in the higher bracket. But whisky imported in sterling is being sold at the price of the pound has pushed up the yen value.

The compound effect will take the standard whiskies into the higher tax bracket unless the Japanese government can be persuaded to raise its tax threshold.

In the first 11 months of last year three million cases of Scotch, each of 12 bottles, were exported directly to Japan, a 15 per cent increase on the same period the previous year.

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Japan tax could trigger big whisky price leap

By Derek Harris
Commercial Editor
The retail price of Scotch whisky, Britain's largest export to Japan, may be increased by as much as 20 per cent unless new importation arrangements can be agreed after British Government representation.

It is the standard ranges of Scotch exported in bottle which are at risk. The large bulk exports of malt whisky, which Japanese whisky makers use to improve their local blends, are unlikely to be affected.

Not only would the price increase more than £1 a bottle, but the gap between Scotch and the already cheaper Japanese whiskies but it could also lead to an expansion of the parallel import trade which has been harshly criticized by the Scotch Whisky Association.

There is already a considerable trade in whisky in bottle which is shipped ostensibly to EEC markets but which on arrival on the Continent is re-routed to Japan.

Because these parallel traders have no marketing and advertising expenses they are able to sell into Japan more cheaply, according to the association.

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Bank union may press for rises above 25 pc

By David Felton
Union negotiators representing more than 16,000 staff at Trustees Savings Banks are drawing up a pay claim which is likely to be above the 25 per cent claim made by the Bank of England and the Bank of Scotland (BESB) for staff in the main clearing banks.

The size of the claim will depend on the outcome at the end of this month of mediation by Professor G. F. Thomson, regis professor of industrial relations at the University of Cardiff. The 1979 BESB pay claim included a demand for parity with the clearing banks.

A threat of industrial action in the BESBs was averted by the Advisory Conciliation and Arbitration Service in November when the principle of mediation was agreed. Professor Thomson's findings will not be binding on either union or management.

The differential with the clearing banks, however, is quite small, but BESB officials say that managerial staff at the BESBs are paid about 4 to 5 per cent less than their counterparts elsewhere.

Mr. Bill Whiteman, the union's assistant secretary, said last night: "We intend to pursue our claim for parity of payment with the joint stock banks with every means at our disposal."

His union's pay claim this year in the clearing banks is for 25 per cent across the board with higher increases for new entrants and some clerical staff. The union said that this would be used as the basis for the TSB claim but if the mediation goes against the union, the claim will include a parity element.

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US consumers' champion seeks worldwide check on biggest companies

Mr. Ralph Nader set to take on multinationals

Mr. Ralph Nader, the American champion of consumer rights, is extending his campaign into the international field because of what he calls the immense and growing power of the multinational corporations.

Mr. Nader is an articulate and effective advocate of the rights and interests of consumers and, over the past decade has angered dozens of companies within the United States.

Now, he says, "we must move on to an international plain and help consumer groups abroad and the interests of consumers overseas."

He believes that cooperation between national consumer groups should be intensified and that there must be a much greater international flow of information about the activities of multinational companies.

The law has failed to keep pace with the dynamic growth of international companies that wield immense power, Mr. Nader argues, pointing out that Exxon Corporation's annual sales amount to more than Sweden's gross national product.

He predicts that by the end of this century the 200 largest corporations will account between them for 70 per cent of the economic output of the western world.

American pharmaceutical companies, he claims, sell products overseas that have been banned by the United States Food and Drug Administration.

Some major corporations are crudely exploiting the natural resources of some African countries and making huge profits while the peoples of these countries are barely benefit, he says.

Mr. Nader is concerned that newspapers show relatively little interest in such matters despite the real power of multinationals. He complains that scant attention has been paid to the fact that more than one million trees are being destroyed each week in the Amazon region and that multinationals are allegedly destroying the

delicate ecological balance of this area. There is a real determination to expose corporate abuse in many of Mr. Nader's many activities and in this case his strategy involves launching a new monthly magazine, *Multinational Monitor*, which he hopes will stimulate international investigations.

He says of the companies that will be in the spotlight of his *Monitor* that "they are shaping the world and deciding national options without adequate competitive or regulatory restraints."

Although the mounting strength of consumer and environmental movements has fostered laws governing the activities of companies in the United States, the companies often get around these regu-

New pressure on BNOC prices

By Nicholas
H Petrol is likely to rise by between 2p and 3p a gallon as a result of oil price increases last week.

Nigeria's decision over the weekend to raise crude from \$30 to \$34 a barrel will put the strongest pressure yet on the British National Oil Corporation (BNOC) to raise its own prices from the moderate \$29.75 set earlier this month.

An increase by BNOC, the largest North Sea crude trader, would set the trend for all other North Sea oil.

As the offshore crude now accounts for more than half of Britain's refinery requirements, a rise in its price coupled with the increased cost of crude supplied by members of the Organization of Petroleum Exporting Countries (Opec) would almost certainly force

companies in the United Kingdom to pass on increases to their consumers.

The new round of oil price increases has come at a time when prices in the spot market have been falling sharply. It is now possible to pick up cargoes of Middle East oil from Rotterdam, the nominal centre of the oil market, at prices as low as £29.75 per barrel, or less than the official cost of crude in the Gulf.

The new Nigerian price is particularly high under the changed circumstances of the oil market in the past two years. The oil price has been held to taking the oil while their contracts last, but with a relatively mild winter, an expected recession, some increased production outside Opec and record stocks, there may be no rush to take up new contracts at the same levels.

Price at the Japanese ports of entry is the key factor. Whisky coming in at Yen 4,100 (£152p) per litre, or less, carries a tax of 150 per cent. Above that price, the tax jumps to 220 per cent.

Until now only de luxe whiskies were in the higher bracket. But whisky imported in sterling is being sold at the price of the pound has pushed up the yen value.

The compound effect will take the standard whiskies into the higher tax bracket unless the Japanese government can be persuaded to raise its tax threshold.

In the first 11 months of last year three million cases of Scotch, each of 12 bottles, were exported directly to Japan, a 15 per cent increase on the same period the previous year.

UPI faces difficulties as rescue plan fails

By Anthony Hilton
United Press International, the second largest news agency in the United States, faces severe financial problems with the collapse this week of its rescue plan.

The agency's difficulties first surfaced last autumn when it announced plans to turn itself into a partnership whose shareholders would be 45 of its leading clients—newspapers and broadcasting organizations which already subscribe to the news wire service.

It was hoped that each of these would buy 2 per cent of the shares so UPI would be 90 per cent owned by its customers.

The remaining shares would be held by the present owners, E. W. Scripps, a private company, which has 95 per cent, and the Hearst Corporation.

The plan collapsed because too few clients were interested. According to Mr. Roderick Beaton, UPI's president, fewer than two-thirds of those approached took up the offer.

UPI's losses have been increasing rapidly in recent years. In 1978 losses reached \$6m (£2.62m) before taxes, but this was cut to \$2.5m (£1.09m) net. The latest forecast for 1979 suggested that things would be as bad if not worse.

In spite of an expected gain in revenue from \$80m (£34.93m) to \$88m (£38.42m), Mr. Beaton told employees that UPI is not going out of business.

Although things have rarely been as bad before, the organization has never been particularly profitable and has always lived in the shadow of the

Associated Press (AP), its larger rival.

In recent years the situation has deteriorated. The size of the market has been reduced as the number of large American newspapers declined sharply in the face of competition from radio and television which have less interest in news.

The leading newspaper groups have formed their own wire services to syndicate the

MANAGEMENT

General Motors from the inside

Mr John De Lorean alleges that some of the top executives of the General Motors Corporation slept during committee meetings, fiddled their expenses, engaged in assorted corrupt dealings, opposed innovation and encouraged spying on the Ford Motor Company.

He asserts that of GM's upper management today, there is not a memorable one in the bunch — no one individual is permitted to stand out in the corporation. When one does, he is rebuked, ordered to disappear into the wallpaper.

Mr De Lorean left GM in 1973. When he resigned at the age of 48, he was one of the company's most senior executives, earning around \$650,000 a year. Once he resigned he swiftly got together with an American journalist, Mr Patrick Wright, and spilled the beans on the company that he had been with for 17 years. Mr Wright wrote a book based entirely on Mr De Lorean's views, and the latter lavished praise on the work when it was completed in 1976.

But then, inexplicably, Mr De Lorean got cold feet and

prevaricated about having the book published. Eventually Mr Wright lost patience and published the book himself. It is called *On a Clear Day You Can See General Motors*, and it is essential reading for every manager.

The work is by no means an objective view of the world's largest car company. Mr De Lorean resigned because he did not get along with his colleagues at the top of the company, and evidently he thought he was far better than most of them. His own meteoric rise in the company in fact tends to undermine some of his assertions about GM's management style.

All the same, it is rare to see a look within an industrial giant from the perspective of one who has sat close to the summit. Perhaps the most significant point is that Mr De Lorean, at least, believes that companies can become desperately inefficient, because of sheer size, and that business in general can easily be politically, socially and economically bad.

He claims that, because GM is the world's largest car

maker, its leaders have become convinced that methods used in the past will always work in the future. Innovation barely seems to be tolerated. Mr De Lorean suggests that Ford consistently produces the bright new ideas, which GM later copies.

He says that it is GM's opposition to change that has given foreign car manufacturers great opportunities in the United States market because for years the Detroit giant refused to believe that Americans would demand large quantities of small cars.

Mr De Lorean asserts that top GM executives were so constantly concerned with trivia, with gossip and private matters, that important decisions were frequently postponed at a cost of tens of millions of dollars. He notes in the book that top management would not tolerate inside criticism, and that key new model decisions often depended on what Ford was doing.

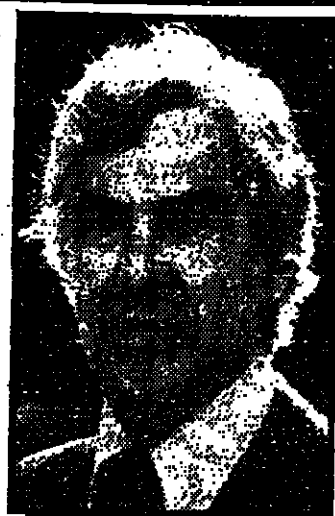
Mr De Lorean says: "It seems incredible, but sound, long-range and comprehensive business planning was almost non-existent at General Motors

when I was there... studies we conducted at GM showed that year-in and year-out, we were substantially slower to effect new product decision than Ford, Chrysler or American Motors."

He says that the company meddled in national politics. Executives were required to make contributions to political parties, although only a small, top group, decided how the money was to be spent. Then, alleges Mr De Lorean, dealer franchises and company land sales were sometimes arranged quietly by senior GM officials so that they could personally profit.

Mr De Lorean goes on to say that profits were the sole concern of top management, and that they treated the consumer and even their dealers and suppliers with scorn. The view was always short-term and narrow, with scant regard ever given to how decisions might influence the health of the economy, public safety, or long-term consumer views of the company itself.

Mr De Lorean had the sort of access to information concerning GM that few people



Mr John De Lorean: "Long-range business planning was almost non-existent at GM."

have ever enjoyed. This fascinating book makes one wonder how other industrial giants are run.

*On a clear day you can see General Motors (Library of Congress No. 79-56627) by Patrick Wright, published by Wright Enterprises, Grosse Pointe, Michigan (price \$12.95 in the United States).

Frank Vogl

Word processor—one key to a shorter week at the office

Three years ago the senior management of the London branch of the Bank of America asked Mr Steve Jackson to investigate alternative methods of doing simple word processing. "What is word processing?" and "Can we benefit from it?"

Mr Jackson is the bank's word processing coordinator. There are 21 word processor units in operation and his experiences over the last three years provides a valuable guide to the many other organizations at present researching the new technique.

First, he points out, word processing is definitely not to be regarded as an alternative native form of handling correspondence. This is a common misconception which can lead to a lot of wasted investment.

"The preparation of the original text," he says, "is no quicker on a word processor than on an electric typewriter. The savings come when long, complex documents have to be amended. We estimate that there is a 25 per cent saving on repeat copies."

There should, therefore, be a significant amount of revision to lengthy documents to justify the investment in word processing. It is vital to carry out a very thorough and detailed survey of the typing workload of an organization before making any word processing decisions in order to identify the exact applications that are suitable.

To gain an insight into workload analysis, Mr Jackson went to the bank's headquarters in San Francisco and Los Angeles. At the Bank of America offices in Los Angeles he found a team of 100 people devoting all their time to the introduction and expansion of word processing systems.

From their approach he saw that the London branch was ideal for the new technique. "This building," he says, "has 1,000 people, and several different departments are engaged in the preparation of documents that lend themselves to text manipulation. We have also responsible for the bank's operations in Europe, the Middle East and Africa, so there is a lot to be gained from devising a system that can be used internationally."

His analysis showed that documents drawn up by the bank's 60 credit officers for corporate loan contracts ranged from 15 to 150 pages each. The documents have to be seen and approved, and possibly amended, by the head of department, by the legal section and by the branch manager. On average, a document is revised two and a half times before it is ready to go forward to the client.

This sort of paperwork was a headache. Word processing has

brought several significant benefits in this area.

The draft document can be amended piece-meal, leaving the equipment to carry out re-pagination or re-justification of lines and paragraphs. A finished fair copy can then be printed out at the rate of 540 words a minute.

He recommends gradual introduction, with sufficient time given to training and caring management and personnel, department by department.

One of the most sensitive areas, and one that people tend to overlook, he says, is the attitude of secretarial staff to the new machines. On the one hand, secretaries have been known to object to the use of a word processing machine, because it turns them into machine operators. On the other, if full-time word processing operators are introduced to provide a service, then the secretaries might well resent having to hand work over to other girls. They see this as a loss of their control over the job.

Whether to have full-time operators, or to allow individual secretaries to do their own word processing, is a question that requires very careful thought.

In California, all word processing was done on a central service basis, but the London branch of the Bank of America eventually decided to divide up the central unit and replace it

with a number of "satellite" locations, each with one or two word processors to serve a different part of the building.

"Whatever you do," Mr Jackson reminds would-be users, "the room must be a large one, because you get serious heat problems with the use of word processors in confined spaces. They are not typewriters."

The London branch began originally with two units of the same make as those used in California, for it was obviously an advantage to have compatible equipment for the interchange of texts.

Collaboration

But at that early stage in the development of word processor equipment, the manufacturers of the machines in the United States were not able to give the back-up service required in Europe. Mr Jackson had to switch to another manufacturer for extra units he installed and was then obliged to persuade the two different manufacturers to collaborate so that machines could be swapped to each other in London and California.

Economic intelligence reports for Europe and Africa are typed on word processors in London and then, instead of re-typing on a telex and re-typing again at the other end for local distribution, a cas-

sette or "floppy disc" is posted to the various offices and used to re-create the exact material.

There are many other benefits flowing from word processing in the London branch. The machines are being used increasingly by the legal department for lengthy contract work and in the personnel department for listings and for standard letters that have to be repeated with amendments.

"Our executives," Mr Jackson says, "first of all like the system because the finished work looks so good and photostats so well for multiple copies. That can be an important factor when they are setting up deals in the millions of pounds."

"From the point of view of work organization, it is a boon that basic data can be put into the machines during quieter periods, so that documents can be completed and issued rapidly during a peak period. The word processors are definitely cutting down the late nights, when feverish re-typing of lengthy documents was so vital for a meeting the next day."

Mr Jackson will be presenting a case study of the Bank of America word processing experience at the Information Management Exhibition and Conference (Imec) at the Wembley Centre from February 18 to 21.

Sydney Paulden

LETTERS TO THE EDITOR

Control of the money supply

From Professor Brian Griffiths, Sir, Your correspondent, John Whitmore (January 21) writes as if Goodhart's Law ("once you choose a single money supply target, traditional relationships tend to break down and the target ceases to become a useful measure") had the same standing in monetary economics as Ohm's Law in physics or Boyle's Law in chemistry. While I have the utmost regard for the person after whom it is named, it is grossly misleading to suggest that it has the status of a law. In my judgment, Goodhart's Law is invalid because it confuses the general problem of monetary control with the Bank of England's repeated attempts at such control by introducing some form of rationing in the credit markets.

Although over recent years the United Kingdom monetary authorities have attempted to control money supply growth they have been quite unprepared to accept the interest rate implications of such control. As a consequence, they have introduced rationing in the market for bank credit through such devices as the "corset" and quantitative controls over bank lending.

The result has been to provide the private banking system with a financial incentive to use off-balance sheet credit markets to circumvent the controls, as is presently being

done through the use of commercial bills. One effect is that the published money supply figure loses much of its value as an indicator of monetary growth making it seem as if the relationships between money and other economic variables such as money income and inflation have broken down. Such in fact is not the case; and in any case could not be attributed to the Bank of England having chosen to target a particular money supply magnitude such as M3, but rather to its method of intervention in the credit markets.

Apart from being a false inference, Goodhart's Law lacks any theoretical foundation. It provides no explanation of why if a central bank chooses to target a particular variable, traditional relationships between it and other variables tend to break down. For this to happen the private banking system would have to be provided with a sufficiently powerful incentive to circumvent the restrictions and also the scope to do so.

But if the central bank allowed the level of interest rates to be market determined the private banking system would have no such incentive to change its behaviour. Assume, for example, that the Bank of England attempts to control sterling M3 without the use of either the corset or ceilings on bank lending. Further assume that sterling M3 is ris-

ing too rapidly and the Bank wishes to see its rate of growth reduced. In the short term, interest rates will rise. But in such a situation private banks would have no incentive to develop new markets or greatly expand the activities of existing ones, and as a result the money supply figures would not be distorted. Once, however, credit controls are imposed on the banks, the financial incentive to evade these controls is provided, so giving the misleading impression that monetary control is impossible.

The major lesson which emerges from all this is that Goodhart's Law only holds true if central banks confuse money and credit and attempt, such as the Bank of England has done repeatedly over the years, to control money by fixing the price and rationing the availability of bank credit. One hopes that the proposed Treasury and Bank of England discussion paper on this general subject will address itself to this particular problem by examining a number of options to the present system in which this confusion is removed. Yours sincerely, BRIAN GRIFFITHS, Director, Centre for Banking and International Finance, The City University, Northampton Square, London EC1V 0HB, January 29.

Post Office plans for National Giro

From Mr Alfred Singer, Sir, A wise man promised my son £5 if, by the age of 21, he had not written to a newspaper. He had enough sense to collect.

I, however, have been provoked by reading a great deal in the press about the bithly made assumption that Giro should go with Posts into one corporation while Telecommunications go into another. I do not propose to argue the case against splitting the Post Office although I know from personal experience that the argument can quite easily be made to keep both under one

roof and thereby achieve an integrated communications policy for the year 2000.

I did not, however, spend three extremely difficult years at great personal and financial sacrifice in turning round Giro from a pretty hopeless position (it had lost £32m) into profit which have been well maintained since I left in 1976, without having thoughts on the subject. Giro has great potential.

The point of this letter is quite simply to say that any industrialists will tell you that if you are trying to nurture a

small and fast-growing business which employs 3,000 people and has plenty of competition, then you do not put it with a mammoth monopoly business employing 200,000 people and which, very sadly, is inevitably declining. A better recipe for disaster hardly exists.

Can anyone imagine that Giro's voice will ever be heard in that boardroom? Yours faithfully, ALFRED E. SINGER, 7 Bacon's Lane, South Grove, London N6, January 29.

Bank of England bulletin

From Mr P. J. S. Gray, Sir, I am deeply disturbed by the news that the Bank of England intends to charge for its quarterly bulletin with effect from June 1980. It is indeed sad that one of the most important and prestigious banks of the western world is only able to produce a report on a quarterly basis; proposing to charge £15 for it, is in the realms of Freedomia. By comparison, not only does the West German Bundesbank issue an excellent

report monthly, free of charge, but also offers four comprehensive statistical appendices with each copy.

It is no doubt fallacious to assume that this is some measure of the relative quality of the two institutions, but nevertheless is an interesting comparison. I am, sir, your obedient servant, P. J. S. GRAY, 12 Broxham Road, London SW14, January 28.

Telephone rates

From Mrs D. M. Bennett, Sir, I do feel that the Post Office statement in their position announcing the rise in the price of telephone calls, that it is the first rise since 1967, should be challenged. After all the rise from 2d to 2p was quite a big rise, even though it was hidden by the change to decimal currency. Yours faithfully, DOREEN BENNETT, Arnciffe, Harlow, Cambridge, January 29.

CHECKLIST

Royal assent given last week to Petroleum Revenue Act and British Railways (No 2) Act, among others.

Consumer credit: regulations laid before Parliament on October 6 as date for the introduction of "truth in lending" provisions of Consumer Credit Act.

Riley v Tesco Stores and Another: Court of Appeal dismissed appeal of former employee that her case for unfair dismissal should have been heard though it was presented out of the statutory time limit. Court held that question of whether it was reasonably practicable to present a claim within three months was a question of fact for the industrial tribunal to decide.

Practical tax: a fortnightly digest covering inter alia Revenue press releases and important cases, is being published by Tolley's. It will have a cumulative index (published every four weeks), source references, and worked figure examples. Brief, blunt, to the point. Tolley's Practical Tax available from Tolley Publishing Co, 102/104 High Street, Croydon, Surrey, price £39 for first year's subscription.

Inland Revenue concessions and practice notes: a comprehensive and up-to-date guide to capital gains tax, close companies, distributions and capital allowances is published in the

latest Accounts Digest (No 84). Copies from the Publications Department, Institute of Chartered Accountants in England and Wales, PO Box 433, Charterhouse Square, London EC2, price £3.95.

Occupational behaviour: a quarterly journal, covering areas such as innovations in job design, occupational satisfaction and stress, industrial participation and democracy in the workplace, career development, and the like is being published by Wiley's. Totally academic editorial board: journal takes some fighting through. Occupational Behaviour available from John Wiley and Sons Ltd, Baffins Lane, Chichester, Sussex (usual subscription £12.50 personal, £22.50 institutional).

Finance for senior managers: a five-day seminar for managers from non-financial backgrounds who need to strengthen their understanding of developments in accounting and corporate finance, is being held at the London Business School June 9-13. Areas covered include use of financial analysis to improve profit performance, cost information and management decisions, cash-flow forecasting and investment appraisal. Fee £500 (including accommodation). Details from Miss Elizabeth Scott, London Business School, Sussex Place, Regent's Park, London NW1 4SA.

Rights of workers

The effectiveness of the clause inserted into the Companies Bill in the House of Lords, to recognize the rights of workers as well as shareholders in the assets of their company on a transfer of ownership, is still open to question.

What the Lords set out to do, was to amend the principle to which Ploymann J adhered in the case of Parke v Daily News, which has governed the conduct of directors and major shareholders in every company closure since.

The case of Parke v Daily News arose out of a decision by the Cadbury family to sell the ailing News Chronicle and Star, in which they were controlling shareholders, and to distribute the proceeds of the sale to employees of the company who were not to be taken on by the new owners.

The decision was approved at a general meeting of the company, but subsequently disputed by one of the minority shareholders, in whose favour Ploymann J gave judgment. Effectively it was decided that, however laudable and enlightened the Cadbury family's objectives were, it was not within the power of the directors of a company to make decisions other than for the health and strength of the company, which this parently was not.

It is now generally accepted, and frequently declared, that directors will act upon occasion in a manner which cannot,

strictly-speaking, be said to be for the good of the company alone: for example, they will make political or charitable donations, and occasionally even run quasi-political campaigns.

More obviously still, it is often said during the course of a takeover battle, that the directors will have regard to the interests of employees, as well as to those of the shareholders, when (at any rate in the short term) the two may be diametrically opposed.

Even moves such as these, however, are not difficult to reconcile with the fiduciary duties, and duties of care, which the directors owe to the company.

The question that then arises is—if there is no company to which the directors owe those duties, do they have any powers to exercise either?

It is to this matter that the House of Lords has directed its attention with a clause in the Companies' Bill providing that "the powers of a company shall, if they would not otherwise do so, be deemed to include a power to make... provision for the benefit of persons employed and formerly employed by the company... that is to say, provision in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the company..."

Adrienne Gleeson

Salisbury's potential unequalled in the West

As a potential area for industrial or office development Salisbury would seem to have everything. It is only 80 miles from London and readily accessible by road and rail, while a highway links it with the port of Southampton. There are minor but busy airports within easy reach at Eastleigh and Hurn, and the road journey to Heathrow is normally fast and uncomplicated. The city is becoming increasingly popular as a tourist centre and a gateway for the exploration of the West Country and is decidedly a pleasant and picturesque place in which to live.

Would-be investors are likely to be told, however, that no sites are available at present. Salisbury was once a great industrial centre, its prosperity built largely on woollen manufacturing. Medieval Salisbury merchants bought vast quantities of wool from the great sheep-walks on the chalk downs, exporting some through the ports of Southampton and Poole but transforming much more of it into cloth in city or village workshops. In the fourteenth century Salisbury was the sixth city in the kingdom, measured by taxation rates, but those days are long past.

Salisbury is the centre for the extensive Ministry of Defence establishments on Salisbury Plain, and it attracts an increasing volume of tourism.

Its importance is enhanced by the size of its catchment area. There are no other towns of any considerable size in south Wiltshire and the inhabitants of much of western Hampshire and north Dorset

look to Salisbury as their natural centre for business, recreation and social life.

While Salisbury livestock market still flourishes, the importance of agriculture has declined. The farms are probably more productive but, with increasing mechanization, employ less labour. Were it not for the demand for cottages as residences for urban workers and retired people, the villages would have been deserted.

The Ministry of Defence's presence on Salisbury Plain, including the establishment at Porton Down now controlled by the Department of Health, appear to be there to stay.

These establishments based at Amesbury, Aldermaston, Tidworth and Boscombe Down, are the biggest employers of civilians in the area.

Tourism is of increasing importance. Every year over 600,000 people pay a visit to Salisbury Cathedral and even more to Stonehenge. Accommodation for tourists is inadequate, and one of the major developments being considered by the Salisbury District Council is the proposed conversion of the old Town Mill into a new 200-bed hotel.

Salisbury has a modern industrial estate, developed in the early sixties at Churchfields, on the western outskirts. Much of the land was occupied by firms forced to move for the construction of a ring road around the city. At present there is no land available anywhere within the city limits for further industrial development. There are no very large factories in and around Salisbury. About 15 employ between 100 and 200 people. They include Baxley, which makes pressure pipes and similar equipment, Wellworthy's, the FMC abattoir and the Royal Wiltton Carpet Factory, the Downton Tannery, Wessex Marine Signals and Fireworks and Parmenters, which manufactures agricultural implements at Tisbury. The FMC abattoir is the main exporter of meat to EEC countries.

The trend towards setting up administrative headquarters outside London has led to various organizations investigating the possibilities of Salisbury. The United Kingdom Temperance and General Provident Institution, a life insurance company with funds of nearly £300m, has recently acquired two good sites for its national headquarters. It is now employing a staff of about 250, and it is likely to grow.

Development in and around Salisbury has met with differing views by the two main authorities. Wiltshire County Council favours a policy, based on conserving south Wiltshire's environment and natural resources. In its Structure Plan, published in February last year, however, it proposed that 13 to 17 hectares of land be provided for industrial development up to 1991, about half of it in Salisbury and the remainder at Amesbury, Tisbury and Mere.

The new Salisbury District Council leans towards a more liberal and provincial approach to commercial development. However, there is general agreement that all development must blend with the environment in the cathedral city, and one restriction likely to be consistently maintained is that no building must have a height of more than 40 feet.

Halman White

Interview with Sir Ian Gilmour, Lord Privy Seal, on Britain and Europe.

Robert Beckman on the rise in global indebtment.

Michel Boyer on East-West-South relations.

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BY THE FINANCIAL EDITOR

Tactics in the gilt market

It was almost inevitable that the authorities would have to defer next Friday's planned recall of special deposits. Tax flows have not been predictable with much precision this year, while sales of gilt-edged stock, and these of course have been heavy, never are.

Even with an additional £500m of liquidity left in the banking system, however, the position looks likely to remain fairly tight through most of this month. Not only should tax payments continue to flow to the Exchequer, but investors have to put up £170m for the final instalment on their BP shares next Wednesday and a further £450m as the second payment on the ill-starred Treasury 12½ per cent 2003/05 "A" stock on February 15.

That does not mean to say that the re-scheduling of the February special deposit recall to April 8 should necessarily be read as precluding a reduction in M.L.R. before then. If underlying conditions warrant a cut before then, doubtless the Government will have something to say around the time of the Budget. If, on the other hand, they do not, M.L.R. could well stay where it is for some time longer.

In this respect, one of the problems for both the authorities and the markets is going to lie in assessing precisely what is happening to the underlying monetary situation at the moment, not least in terms of private sector loan demand. While the December money supply figures looked encouraging on the surface, even the authorities were treating them with extreme caution.

Just how far the tightness of money markets will prove to have distorted behaviour during January and February remains to be seen. Certainly, the gilt market is looking to tomorrow's eligible liability and clearing bank figures with markedly less optimism than a couple of weeks ago. "Weak" holders of the recent long stock, some of whom are sitting on losses that already run to more than three points will certainly be keeping their fingers crossed.

Small businesses

Handing over to the managers

A small but rapidly growing demand for schemes to enable managers to buy their own operations out of larger groups is now sending significant ripples through the lending institutions. The idea is that when operational units fail to fulfil criteria laid down by their parents, they can be sold to their managements as discrete companies.

In the past the problem has always been that such units are not very sound lending propositions for the banks: there is unlikely to be adequate security for loans and a substantial equity stake is merely going to transfer control from one centralized giant to another, at least as far as the management is concerned.

But there is an opposite view: that such operations represent a cohesive management unit and a ready-made workforce and are unlikely ever to yield the same failure rate that dogs venture capital aimed at start-ups from scratch. In taking this latter view IFCB has begun to carve out a significant niche, 20 projects last year resulted in packages worth around £3.5m and the current year is now almost certain to produce 50 projects worth between £10m and £12m.

Some of these are private companies where owners are pulling out and avoiding the cost of a flotation. But the majority are large British or foreign companies divesting themselves of units that have ceased to fit financially or in management terms.

ICFCB has structured its packages so that even though, for example, the managers put up 20 per cent of the required capital they will still hold the majority of the equity and, so far, it is this that has given them a substantial edge over other institutions. As far as the divesting parent is concerned the packages clearly represent a pleasant and cheaper alternative than a straight closure.

With the recession forcing companies to look harder at their operations as a whole, the indications are now that an increasing number of subsidiaries are going to be

available for this kind of scheme and the apparently high success rate of IFCB's progeny is now luring others into formulating this kind of package. For the Government, currently very wary of the more ambitious ideas in the air to help small businesses, it is an important development which can be nurtured simply by loosening fiscal and administrative burdens on small company managements rather than by any directly interventionist measures.

Leasing Changes in prospect

Last year's figures from the leasing industry, due to be released this month, are likely to show a rate of growth in business rather lower than the 80 per cent recorded in 1978: and in all probability the increase in the current year will be lower still. This is because capital investment by industrial companies will almost certainly decline this year, as they trim their requirements to suit a depressed market.

There are, however, no signs that the boom which brought the value of assets acquired for lease up from £340m to £12.1m between 1975 and 1978, is about to run out of steam altogether; and falling a change in the taxation of company profits, or in the reliefs allowed on their productive investment, it is most unlikely to happen. Such a change could, however, be in prospect in the next Budget.

With most industrial companies at present paying very little in the way of corporation tax—largely because of the operation of the stock relief provisions—they are in no position themselves to claim reliefs on their productive investment. It has, therefore, made sense to lease instead from companies which, with a corporation tax liability of their own to offset those reliefs against, could pass on at least some of the benefit in the terms of the lease. Partly because the benefits of stock appreciation relief passed them by, and partly because they were experienced in the leasing business already, the banks and hire purchase companies have been both willing and able participants in this newly expanded market. Recently, however, they have come up against outside competition.

Like banks and finance companies, retailers get no benefit from stock appreciation relief; and this explains why some retailers' subsidiaries—Mothercare and St Michael—are newly prominent in the race for leasing business. One of the questions now being asked in the industry, is whether the government will move to curb the activities of such companies, whose most obvious interest in the leasing of assets is the way in which it enables them to defer tax.

However the whole business of company taxation and reliefs is likely to be overtaken, before that happens, by the eventual introduction of inflation accounting, now scheduled (for big companies) for the end of March. If the tax system is adjusted to allow for its effects, the attractions of leasing are likely to diminish anyway (though to a lesser extent for those smaller to medium-sized companies which use it as an aid to cash flow management).

In the meantime the NatWest subsidiary, Lombard North Central, which reported results for the year to end-September last week, has under SSAP 15 made a specific provision of £98m for the tax which could become payable over the next three years, were legislation to be changed and/or the level of new business to decline substantially. With a large increase in business for the first three months of the year already under its belt, the company anticipates no such development.

Nevertheless, it is an indication of the potential liability to tax implicit in taking advantage of tax deferral, that in addition to its £98m specific provision under SSAP 15, Lombard North Central has transferred £190m to special reserves against its total contingent liability. It is also an indication of how fast the business is continuing to grow, even though the rate of its growth is slowing. In all these contingencies amounted to £288m at the end of 1979—as against £164m a mere 12 months before.

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his perennially youthful peer graced the pages of *Beano*, not *Dandy*.

His efforts, however, were not matched by results as Thomson himself was to admit later with an uncharacteristic bitterness. The regional fund, which goes to developing poorer areas of the Community, still accounts for mere 5 per cent of the EEC's budget, while 70 per cent goes—unfairly in Thomson's view—on subsidising continental farmers.

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"I have never heard him take a personal line at Cabinet or OPD (the Defence and Overseas Policy Committee). He has an excellent presence in Parli-

Why GEC has decided to test Racal's nerve

The takeover business is in full swing again—so it is fitting that Sir Arnold Weinstock should step into the thick of it. This morning his General Electric Company will go into the market with a bid for Decca and begin what promises to be the most fascinating battle for years.

Cognisant of GEC and the Weinstock style of doing things will see parallels with the late 1960s when the Weinstock-led company pushed through a rationalization of the heavy electrical sector by putting GEC, English Electric and Associated Electrical Industries together.

By British standards it has proved to be an unqualified success; 12 years later GEC is one of a handful of truly successful British companies and among the leaders in the international electrical business.

This time it is about restructuring the electronics sector, and again GEC, cash rich by now, is forcing the pace, though not without some healthy competition from Mr Ernest Harrison's Racal Electronics.

It was Racal which set the game in motion two weeks ago with a £55m offer for Decca that gained the agreement of its board though sadly this was only a few days before the death of Sir Edward Lewis, Decca's chairman and effective founder.

Mr Harrison made his ambition clear. He wants Racal to become the "second force" in British electronics. A takeover of Decca, whose radar and marine and airborne navigation systems would be complementary to Racal's land-based communications business, is seen as a crucial first step towards achieving this, not least because it would bring Decca's valuable research and development base.

GEC's point of view—

and GEC is the "first force" in Racal's concept of things—



Sir Arnold Weinstock (left) of GEC and Mr Ernest Harrison of Racal the first contenders in the battle to reshape Britain's electronics industry



a counter bid for Decca was essential not simply because of its valuable partnership agreements with Decca and the important component business that race with them, or because it was unwilling to see Racal set Decca on a plate. Like Racal, GEC recognizes that Decca is the catalyst for rationalization to come.

There are five leading British companies in military electronics—GEC, Racal, Ferranti, EMI and Plessey. Two, GEC—largely through its Marconi subsidiaries—and Racal, are successful and internationally competitive.

EMI, burdened by the cost of developing and marketing medium wave scanners, succumbed last year to a bid from Thorn.

Ferranti's liquidity crisis a few years ago forced it to seek government aid. It has recovered well and wants to remain independent, though that could well depend on the impending sale by the National Enterprise Board of a 50 per cent stake in the group.

Decca, crippled by losses in its consumer products business, is about to close its independence, while Plessey, also an important supplier of telecom-

munications equipment to the Post Office, has performed indifferently for several years.

Observers of the industry doubt whether Ferranti or Plessey can retain their independence indefinitely. It would seem inconceivable on monopoly grounds that GEC could take over Plessey, and GEC must already recognize this. With a bid for Decca it may be gambling that it will be allowed to buy up another sizable chunk of the marine and airborne navigation equipment business, and even extend that through to a bid for Ferranti later on.

It is certainly within GEC's financial capacity to do this. It still has cash resources of over £500m after the substantial acquisitions of A. B. Dick, a Chicago office equipment company, and Avery's, the weighing machine manufacturer, during the past twelve months. Indeed, to put GEC's cash just above matches Racal's total stock market worth.

This suggests that GEC could afford to bid financially for Decca. It is Decca's bid seemed open its bidding with an offer of around £80m and it will

almost certainly be in cash. Racal's £65m offer is in shares, so if it is to counter again it would have to put in a cash element.

It would be at this point, with Decca valued at something over £80m, that the debate would really begin as to what the company is worth. Decca's problems on the consumer products side have been well documented, but it has already negotiated the sale of most of its music publishing interests to PolyGram for a maximum, net of redundancy costs, of around £20m.

This deal illustrates how the underlying value of Decca should be much greater than the worth of around £50m, since the music catalogue, for which PolyGram could pay £94m, was in Decca's book at virtually nil value. There are plenty of other undervalued assets which Decca could be selling (worth £15m) and there is also a good chance that it will win an £18m patent claim in the United States which is now at the appeal stage.

Racal's bid seemed barely to recognise this potential, and its terms includes

virtually nothing for goodwill. GEC, after talking to Decca last week, clearly thought otherwise, though the strategic impact of its intervention should not go unremarked given Racal's ultimate ambitions.

The loss of Decca at this stage would present Racal with a credibility problem from which it would be difficult to launch any sort of approach in the near future for the likes of Plessey. Or would it? One possibility is that Racal will pull out at this point without contesting GEC, and try to arrange a deal for the acquisition of Ferranti.

Racal's difficulty is that behind GEC it is an upstart, though a successful one. Under Mr Harrison it has achieved extraordinary growth during the 1970s taking an important position internationally as a supplier of tactical communications equipment.

It has diversified since, most notably through the acquisitions of Milgo and Vadic two leading American radio and television manufacturers. But land-based communications equipment still accounts for over half its sales, now worth around £250m annually and yielding profits of £50m.

Racal's present dilemma emerged naturally about two years ago when after the years of heavy earnings growth it reached a size where further internal advance would be increasingly difficult. The acquisition programme began and has been successful so far.

But if Racal is to become that "second force" the significant step must be taken in Britain where Racal believes it has the managements of the electronic industry's faking giants.

Andrew Goodricke-Clarke

Patrick Minford

Shots in the economic counter-revolution

In a speech on January 21 Mr Nigel Lawson, Financial Secretary to the Treasury, gave a lucid account of the reasoning behind present government policies. That speech ought to be widely read, since few commentators have the requisite understanding of these policies.

Too often it appears to be believed that they are the product of some masochistic eighteenth-century prejudices (or theology). Instead of being—as in fact the case—the offspring of an intellectual counter-revolution which no serious economist today can ignore. This article attempts to explain some macro-economic aspects of this counter-revolution and how they relate to present policies.

The facts of the postwar inflationary experience are well known. In the last decade inflation has become embedded in the British economy at rates of 10 per cent or more, whereas in the 1950s inflation rarely exceeded 5 per cent and in the 1940s ranged between 1 and 3 per cent.

Our experience has been matched on the average by other industrial countries, though their inflation rarely exceeded 10 per cent and in the United Kingdom, closely mirroring this price acceleration there has been a rise in budget deficits as a percentage of national income, and also the rate of growth of the money supply.

The strong association between these three magnitudes is not coincidental; there is a powerful body of economic theory predicting them. That theory is based on the assumption that economic agents are rational—that is, act on the information available to them in their own best interests—and it has had considerable empirical success in predicting actual behaviour based on individual markets and aggregates of markets.

First let me dispose of a com-

mon fallacy. Up to 1971 this country and many others were on a fixed exchange rate system. This meant that governments had to pursue policies which would keep their national price level in line with the price level of other countries. If goods would cease to be, or become excessively, competitive in international markets, causing corrective mechanisms to be set in train.

Hence, broadly speaking, up to 1971 each country's inflation rate was dictated by the prevailing international inflation rate. The United Kingdom was no exception. Until 1968, when owing to the large 1967 devaluation our inflation began to drift upwards and away from the world rate, our inflation was close to the world rate.

Inflation

We have therefore to look for the causes of world inflation during that period in the policies of the dominant economy of that time, the United States, namely the rise in American budget deficits between 1950 and 1971. The consequent rise in its balance of payments deficits and the flow of foreign exchange reserves into the central banks of Western Europe raised their rates of monetary expansion into line with the higher United States rate.

World inflation in response to these developments rose to 6 per cent by 1971.

Whereas fixed exchange rates imposed limitations on government policies, no such limitations are imposed under floating rates, since the exchange rate can adjust to balance the balance of payments. If domestic prices rise more rapidly than overseas prices or appreciate if they rise less rapidly. How would policies affect the economy under this exchange rate regime?

Under a budget deficit, brought about by a rise in

public spending. The direct effect of this is to raise the demand for goods and services. This, of course, is the effect stressed by Keynes and his disciples in their advocacy of "public works" as a means of combating depression.

This deficit, however, must be financed, both the short and the long run. It creates financial assets, claims on the government, which someone—at home or abroad—must be prepared to hold in their portfolios. If no one is willing to hold these assets, they must be spent. They will continue to be spent until they are held.

According to Keynes, the extra demand created by the budget deficit would bring forth extra supply, which in turn would create savings. These savings would then finance the deficit. Thus, for him and his disciples, the counterpart of the expansion in output provides the solution of the financial problem.

However, this rise in output is precisely what cannot be relied upon to occur. In the long run, output cannot occur because there is a level of "potential" output which depends upon technology, the size of the labour force and so on. Consequently, the extra demand created by the deficit must not be met by an increase in private savings.

This impasse is resolved by inflation. The inflation causes existing stocks of financial assets fixed in money terms to drop in real value, so that holders need to acquire the additional assets injected by the government in order to restore their holdings of assets to their equilibrium values. So the deficit causes inflation in the long run.

But the short run output does have some elasticity in supply. But there are problems here, too. Markets and decisions are linked inter-temporally. The

expectation of what will happen tomorrow influences today's behaviour and events.

In particular the long-run inflationary consequence will be anticipated when the budget deficit is raised. This will raise long-term interest rates, as lenders require compensation for the loss of purchasing power of their capital lent out; and, as interest rates rise, existing holders of debt will experience a capital loss, which will tend to make them spend less in order to rebuild their asset positions. This drop in private spending may well offset the rise in public expenditure.

Output will then either be negligibly affected or even drop in the short run in response to the deficit.

Savings

In this case the financing problem is also acute in the short run. The counterpart savings are not available, or at least not in the way in which the additional assets created by the government can be absorbed is through higher inflation in the short run also.

In brief, a higher government deficit causes higher inflation and reduces the output effects as it is some time put. "crowds out" private spending in the short run as well as in the long run. The precise path of output and inflation in response to a budget deficit will vary according to the state of the economy; but in general the output effects are negligible and inflation rises within twelve months to its new permanently higher rate.

This is what emerges from the "Liverpool model" of the United Kingdom economy which we have built in an attempt to capture these relationships: standard tests of its predictive performance suggest that it would have done no worse than respectable economic fore-

casters actually did over the floating rate period. Its conclusions have therefore to be taken seriously in practical policy terms; they do, of course, corroborate the intuition of many policy-makers that fiscal policy has lost its power to "refill" the money supply cause of financial "confidence" factors.

So far we have implicitly assumed that the assets created by the budget deficit include money in a "normal" proportion—i.e. consistent with steady interest rates. Monetary policy can be "tight" relative to this norm temporarily, but not for a long period because of the strains induced by continuously rising interest rates.

Anticipation of these strains also diminishes the short-run effectiveness of such a policy in holding down inflation. Nevertheless, proper short run control of the money supply such as would be achieved by the "monetary base" system is necessary to prevent excessive money supply growth is the first sign of an excessive budget deficit; early correction of the former raises interest rates and so ensures early pressure to correct the latter.

Should the borrowing requirement rise as a percentage of gross domestic product? This question raises technical issues which I have discussed elsewhere. My answer in brief is: yes, in principle, to some extent, but in present circumstances, where the public sector borrowing requirement (PSBR) percentage is much too high, no.

I have argued that we should not fear cuts in the PSBR because they would have their main effects on inflation, not to speak of output. On these grounds, the macro-economic case is for as rapid as possible a fall in the PSBR percentage and with it the speediest possible return to a sound currency.

Business Diary profile: Lord Thomson of Monifieth and of the IBA

Anyone who has a sharp eye for politicians will have seen what happens to be near Harrods today could see a small, unheralded event which in time will shape much of the social life of this country—and possibly make or break a millionaire or two.

This will be the arrival of a vaguely familiar figure who will stand out of the roar of Knightsbridge traffic and into the offices of the Independent Broadcasting Authority, which is oppressive in themselves none the less—convenient for Harrods.

For Lord Thomson of Monifieth, former Labour joint Foreign Minister, Commonwealth Secretary and EEC Commissioner, today should be a busy day. It is his first Monday morning as deputy to IBA chairman, Lady Plowden (before succeeding her in December).

He will doubtless wish to discuss the IBA's task of awarding the commercial television franchises which run from January, 1982, and which bring with them the opportunity to build such a vast and profitable empire as Lord Grade's ATV.

The fourth, confusing twist whose future is still unsure, can be expected to account for some of his time. But the peer will be acting uncommonly out of character today if he does not remind that the man who now stands before the summit of the commercial broadcasting bureaucracy once edited the *Dandy* and wrote scripts for *Korky the Kat* and *Desperate Dan* at the tender or is it ripe old?—age of 17.

Lord Thomson's fondness for digging up his roots stems more from a fascination with the quirks of fate than from a craving to reassert his proletarian credentials. A well-known night, as editor of the *Dandy* he had, as one commentator has pointed out, an audience of 500,000, bigger and more impressive than that of *The Times*.

Political journalism led to the Commons and in time to a place in Sir Harold Wilson's circle in the 1960s.

His Wilson period ended in 1972 after 20 years in the Commons when he and Roy Jenkins

could stomach no longer what they saw as Labour's chattering over the Common Market.

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his perennially youthful peer graced the pages of *Beano*, not *Dandy*.

His efforts, however, were not matched by results as Thomson himself was to admit later with an uncharacteristic bitterness. The regional fund, which goes to developing poorer areas of the Community, still accounts for mere 5 per cent of the EEC's budget, while 70 per cent goes—unfairly in Thomson's view—on subsidising continental farmers.

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ment and I am sure that when he goes abroad he is excellent at negotiations, just carrying out the instructions."

Crossman, of course, did not approve unreservedly of any one and adds, in an aside, which tells us as much about the author as the subject. Since Michael Stewart (then Foreign Secretary) is also totally ineffective, this pretty well explains what's happened to Labour's foreign policy.

The chairmanship of the IBA is a grey, powerful office, a proposition proved by the fact that the unassuming Thomson is probably its least colourful candidate yet. He will bring to the job a breadth of political experience which few others can match for all her admirable intellectual talents, does not possess.

Yet how will the former editor of *Dandy* fare with the steady director general of the IBA, Sir Brian Young who has been laying down, if not the law, then the letter of commercial broadcasting these past 10 years?

The relationship between 59-year-old Thomson and this former headmaster of Charterhouse will decide, to a great extent, the shape of independent television, and who will run and profit from it, during the 1980s.

It is an intriguing combination of the impeccable academic background with the canniness of the seasoned politician. Like mayonnaise, they must either blend or separate.

IBA-matching is traditionally the privilege of a minority audience; perhaps it will gain appeal in months to come.

David Hewson

Egypt's oil returns increase

Oil prospecting or extraction concessions now cover about 25 per cent of Egypt's 386,000 square miles, the marked zones steadily increasing as higher prices push companies to investigate all reasonable geological prospects.

Egypt's economic problems would be well on the way to solution if only the industrial sector as a whole had responded with the same enthusiasm as the oil companies. President Sadat's fiscal policy launched in 1974, the policy encourages foreign, particularly western, initiative and skills to make the most of Egypt's abundant manpower.

Foreign participation in the hunt for oil never ceased entirely in the earlier years of Nasser's Arab socialism, but generally restrictive and nationalistic policies led some companies, particularly the Soviet Union, to conclude that the inducements were excessively meagre and it would be advisable to bide their time. They started coming back in the late 1960s.

They did not return quickly enough to prevent a decline in production: 165,700 barrels a day in 1973, a 50 per cent drop compared with the 1970 figure. Now year it was 525,000 to 550,000 barrels a day and is at present running at about 600,000 barrels with 700,000 barrels in prospect a year hence, if, as Mr Ibrahim Radwan, general manager for agreements of the Egyptian General Petroleum Corporation, puts it, "everything goes alright".

The official 1973 target of one million barrels a day by 1982 has turned out to be over optimistic and is not now expected to be attained before 1984. The

present estimate of reserves is about 2,500 million barrels, a figure that Mr Radwan is confident of seeing rise steadily over the next few years.

With home consumption at 200,000 to 220,000 barrels a day—also rising, of course—and the foreign partner companies getting 70,000 to 180,000 barrels a day as their entitlement, the EGPC exports a minimum 200,000 barrels.

At present prices, this is bringing in, according to Mr

Alan McGregor talks to a senior state oil company executive

Radwan, some \$3,000m a year, putting oil well ahead of the Suez Canal and tourism as a currency earner.

Most of the corporation's share of production is sold in advance to the highest bidder. "Under Egyptian law, everything has to be put to international competitive bidding," Mr Radwan said. "So each November we ask for international bids for our oil production during the following year. We do not set the price; the buyer offers it." The result of this exercise last November was \$40 to \$45 a barrel, depending on category, compared with \$32 to \$36 a barrel last year. "We also reserve the right to increase prices quarterly under certain circumstances," he added. Almost 80 foreign concerns are now represented in Egypt,

28 of them as concession operators. At the end of December, Sir Arafat signed an agreement for the southern area of the Qattarah Depression in the Western Desert south of Alamein.

Sidon, a United States company, secured a concession for 5,000 square kilometres in the Wadi Natrun region. A key question is whether the oil-bearing strata from which neighbouring Libya has become a major producer run deep into the desert. In years of exploration, the result has so far been mediocre: seven fields with less than 30,000 barrels a day each.

With the Israeli withdrawal last month, two-thirds of the Sinai Peninsula is again in Egyptian hands, for the first time since the 1967 Six-Day War. Some 17 concession agreements are expected for the northern Sinai alone.

Again the hope is that suitable strata may run on, for the western coast of the Sinai and the Gulf of Suez are the source of some 10 per cent of total production. The Alma field, discovered by the Israelis during their occupation and handed back to Egypt in November, is now expected to yield over 100,000 barrels a day, plus secondary recovery. The EGPC sees prospects for gas production as particularly promising, output having grown from a mere 40,000 tons in 1975 to more than 1.2 million tons last year, with more than double that expected by 1985.

FINANCIAL NEWS AND MARKET REPORTS

Court Line creditors to get further payment

Creditors of Court Line, the travelling and shipping group which crashed spectacularly in 1974, leaving thousands of holidaymakers stranded will be told today by the company's liquidators, accountants Peat, Marwick, Mitchell, that they will be paid another 7p in the pound on their claims.

This brings the total distribution to date to 14p in the pound, 4p more than they were originally told they could expect.

The reason for the increase is the sale of the group's last major asset, the Halcyon Days Hotel, in St Lucia, which has been operated by the liquidators since 1974. It has been sold to a company jointly owned by the government of St Lucia and Saint Seal Holdings.

The joint liquidators have now resolved most of the major disputes with debtors and creditors and it is hoped that

those remaining will be settled this year.

Mr Guy Parsons of Peat, Marwick, Mitchell said that after settlement of various disputes between Court Line, its subsidiary Burngreen Securities and the creditors of the two companies, the whole of the benefits of any assets held by Burngreen now flow to Court Line.

When Court Line crashed it had creditors of £73.6m, which after an elimination of an amount due to Burngreen, the benefits of which now go back to Court Line, amount to £68.2m.

So far creditors claims, excluding Burngreen, amounting to £39.5m have been agreed. It is anticipated that further claims of £5.6m are awaiting agreement making a total likely of creditors' claims of £45.5m compared with £68.2m.

Nottingham Brick remains confident of market share

The Government's financial policy, which will be justified if it brings inflation under control, is likely to have an adverse effect on demand for Nottingham Brick's products, chairman, Mr W. D. Crane, says in the annual report.

He points out that the whole of the construction industry was affected. "Burnt gas, which apart from wages, is the largest of our production costs, has increased by more than 50 per cent since the beginning of 1979", he said.

But although he stressed that the group would face difficult trading conditions this year, the board was confident that it would continue to obtain an increasing share of the market.

In the first three months trading, deliveries by Nottingham

were comparable to those in the corresponding months of last year and Malby's deliveries were substantially greater than those in 1978. Malby was acquired last June.

Pretax profits, at £641,000, were similar to the previous year's of £635,000 following the poor winter weather although the group's sales improved in the spring and summer.

In addition, the board has decided that no further capital expenditure can be incurred in the installation of additional plant at Nottingham until maximum production is obtained from the existing kilns.

As previously announced, a two-for-one scrip issue consisting of 1.5 million new ordinary 50p shares has been proposed to bring the group's issued shares more into line with the capital employed.

Scandinavian Bank grows

Scandinavian Bank increased pretax profits by 13 per cent last year with an expansion of all sides of its business.

Pretax profits amounted to £9.3m while the group's total assets rose by 9 per cent from £1m to £1.12m in the year to December 31, 1979, which was the year of the group's tenth anniversary. Paid up capital was increased by £10m to £30.2m making the group's total capital resources, including sub-

ordinated loans, £74m. Authorized capital has also been raised from £25m to £50m.

During the year international syndication activities more than doubled, investment management division made good progress and treasury and foreign exchange developed significantly. The bank has also continued to expand in the Far East, Middle East, Africa and North and South America while its loan portfolio remains predominantly Scandinavian.

One of the more intriguing and important of the gold market's mysteries is the extent of Russian production and sales to the West. All figures relating to gold in the Soviet Union have been state secrets for almost half a century. But it has never been doubted that Russian production was sizable, and from time to time influential in world markets. That influence has probably never been potentially greater than at the moment.

So the preliminary results of a lengthy study by Consolidated Gold Fields into gold production in the Soviet Union, China and other communist countries are nearly timed. Although it should be stressed that the following figures are very tentative, they justify a serious reconsideration of generally received ideas about gold behind the Iron Curtain.

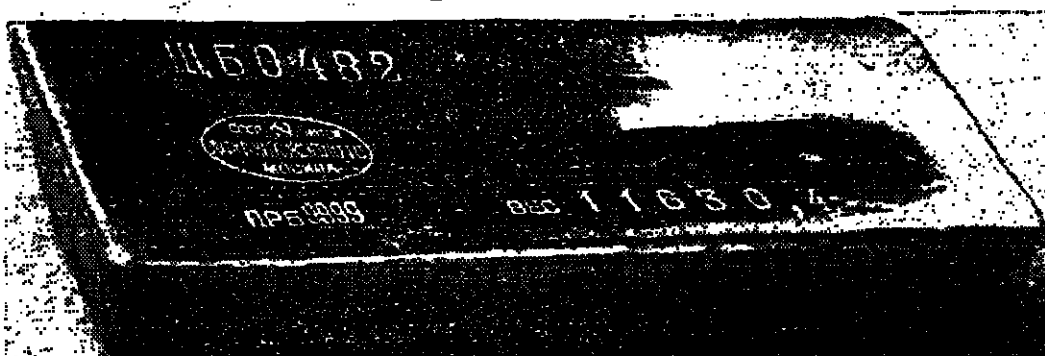
Mining

The latest research estimates all Russian production to be in the range of 280 to 350 tonnes a year. The range has to be broad because of the inherent uncertainties, and the fact that studies are yet to be completed. But even the top figure of 350 tonnes is well below Gold Fields' previous exercise which concluded that Russian production in 1977 was 444 tonnes, compared with 346.6 tonnes in 1970. By contrast, South Africa, which mines about half the world's gold, produced 706.4 tonnes in 1978.

If Russian gold production is, say, 100 tonnes a year less than had been thought, it means that recent sales to the West have partly been from stocks. In 1976, 1977, and 1978 such sales were more than 400 tonnes a year. But last year they are estimated to have fallen to about 220 tonnes.

These sales are important because they represented in every year except one during the past decade the second biggest source of physical gold in the West after mine production.

Russia's influence on the world gold market



Russian gold: production figures have been a state secret for almost half a century.

Mr Denis Etheridge, chairman of the South African chamber of mines, has warned that the Republic's output is unlikely to be more than 700 tonnes a year and will probably decline towards the end of the century.

Russian gold production, however, is likely to rise. Two main mines have been identified, partly by satellites and partly through intelligence from defectors such as Colonel Penkovsky. One of these mines, Muruntau, in the south-west Soviet Union, is thought to produce about 80 tonnes a year. This would make it the biggest gold mine in the world, the next in line being Val Reefs, the Anglo-American mine at Klerksdorp in the western Transvaal which produced 67 tonnes in 1978. The other identified Russian mine is at Zed, quite close to the Turkish border. This is much smaller. In combination with other deposits in the vicinity it is estimated to produce around 10 tonnes a year. Both Muruntau and Zed are

mainly open pit workings, though underground reserves are also thought to be extensive. Muruntau in particular may look forward to a long life.

As in other countries, gold as a by-product from other mines is increasingly significant. About 60 tonnes a year comes from this source in the Soviet Union, about 75 per cent from copper ores and the rest from zinc. The balance of estimated production is provided by the older known mines in Siberia, which in Stalin's day were worked with forced labour. Their output is reckoned to be falling.

Information about the techniques and efficiency of Russian gold mines is patchy, although Gold Fields' new range of estimates partly derives from the capacity of machinery known to be in use. It is unlikely, however, that they have achieved anything near the efficiency of the South African mines, or of major open-pit operations such as Bougainville

in Papua New Guinea. The Siberian mines may be able to function for only about five months of the year and possibly suffer from labour shortages.

Nevertheless, Soviet gold reserves must be enormous, while geologic reserves are also considerable. In 1934 the Director of Glavzolot, the Chief Administration of Gold Mining, put reserves at 3,500 tonnes, the last figure officially published about Russian gold. At that time the Soviet Union boasted that it would soon produce more than the Rand mines. But by 1964 the Central Intelligence Agency had cut estimates of geologic reserves to 1,750 tonnes.

Whatever the real quantity, the fact remains that the Soviet Union may increasingly have the power to intervene in the gold market. At the moment sales to the West appear mainly to offset imports of grain and technology. As the gold price rose last year, less gold was needed to meet these payments. Sales of gold by the Soviet Union were worth \$2,600m in 1978 and \$2,500m last year, despite their halving in volume.

More sinister constructions have been placed on Russian gold sales. Occasionally it is suggested that gold has been used in a play against the dollar. Certainly the Soviet Union must be one of the prime beneficiaries of a high gold price and weak dollar. So is it only coincidence that the reduction in gold sales last year more or less equalled the increase in supplies from the International Monetary Fund and the United States Treasury?

One group who may have views on this is the Chinese. Their gold mining is also expanding, though from the relatively low base of perhaps 50 tonnes a year. Still, that would make China the third biggest gold producer in the world, about on a par with Canada. But in the present state of international alliances, one should not be surprised to see Chinese gold supporting the imperialist dollar against revisionist Russian machinations.

Michael Prest

Move to gain inroad into property section

Soon, if institutional fund managers (who want cheap service and plenty of it) have their way, competition will run riot on the Stock Exchange. How to live with it is the pressing question, and one answer comes from the Queen's stockbroker, Rowe & Pitman.

In a move that will ruffle feathers in both the Stock Exchange and estate agency worlds, Rowe is setting up a commercial and industrial property investment service for institutional and other clients.

It will be called Rowe and Pitman Property Services and is to be led by Mr Robert Houston who comes from Richard Ellis's investment department. For some years he was portfolio manager to Electricity Supply Nominees.

Rowe naturally wants to get in on the money now going directly into property as big merchant banks do already. Rowe is not eligible to become a member of the Royal Institute of Chartered Surveyors. But it plans to stick to its rules and commission structure. The broker accepts that some years may pass before it is profitable, but several deals in the first year (from June) would make all the difference from just one or two.

Rowe thinks that several estate agents and surveyors are eager to talk business. Others say that it will take years before they are considered to be of sufficient weight.

Market rumour points to the number two in property, de Zoete & Bevan as the next into the field, but it is understood that there are no plans at present. Property specialist, Mr Patrick Galvin is busy building up the Hongkong market in property in addition to the British.

Meanwhile investment teams in existing fields are liable to come up against new competition. Montagu, Loeb, Stanley have moved into electronics. Headed by senior research partner, Mr Jim Sharman and including an electronics expert recruited from the industry, the new team will survey 20 to 30 quoted electronics companies.

Surveying gilt-edged, Mr Bill Buchan of Kemp-Gee glides over the market's indignation last week. He finds the latest inflation news disquieting, but comes back to the likelihood of lower interest rates, and recession, as a good background for gilts.

Something similar emanates from Mr Richard Henderson of Sheppards and Chase. He would not be greatly surprised to see the Minimum Lending Rate down to 10 per cent by the end of the year. But for him, the longer shorts and early mediums are a more attractive target than anything else.

The broker is also cheerful about S. & W. Berisford, Dalgery and Harrison & Crossfields.

The broker is pessimistic about Booker McConnell, S. Hoffmann and Steel Bros. Mr Smith would also consider selling Gill & Duffus and Toner Kemsley into relative strength.

Carr Sebag asserts that London & Midland Industrials are a buy for high yield and steady growth. Mr A. Dew points to an interesting selection of engineering and car care and home improvement products; a good profit record; strong liquidity after the 1978 rights issue; and the sales of Caledonian Holdings investment.

From Williams de Broe Hill Chaplin and analysts Mr Ron Littlejohn and Mr A. C. Phillips comes their Brewster and Leisure Monthly report. They say that the market is overdoing fears of duty increases in the March 26 Budget. They add: "The sector will be rerated over the medium-term if there is only a 3p a pint increase in the price of buyers of Allied and Guinness."

The outstanding buys among large companies, according to analyst, Mr M. W. Smith are Inchcape and Lomrho. The selection from among small companies is Jas Finlay.

Peter Wainwright

Business appointments

Nationwide names new member of the board

Mr Greville Barnard has become a director of the Nationwide Building Society.

Professor Sir Kenneth Bond has been appointed chairman of the Advisory Council on Energy Conservation.

Mr John A. Breeden has been appointed United Kingdom sales director of Sunrift.

Mr Roderick MacLeod, senior managing director of Ben Line Steamers has been appointed a part-time member of the British Railways Board.

Mr Peter Scott, a director of Sir Robert McAlpine & Sons, has been appointed a part-time member of the National Freight Corporation board.

Mr K. H. Simmonds has become director of the Board of the Berwick Timpie Group.

Mr J. Rawicz-Szczerbo has been appointed a non-executive director of McKemie British.

Mr John D. Bardner has become a main board director of Letraset International.

Mr John Kay, director of research at the Institute of Fiscal Studies, has been appointed specialist adviser on taxation by the House of Commons Treasury and Civil Service Committee.

Mr Christopher J. Hyatt has been appointed managing director of Babco Tools and Babco Ventilation.

Mr Colin Hawkins has been appointed as group financial controller of the Pritchard Services Group.

Mr Frank Hall, finance director of Visionhire, and British Relay, has succeeded Mr Dennis Heggie as chairman of the Cable Television Association. Mr Heggie remains a member of the association's council. Mr Maurice Townsend, managing director of Greenwich Cablevision, has succeeded Mr Hall as deputy chairman of the association.

Mr Peter Hamilton, a managing director of APV (Holdings) and executive chairman of Hall-Thornham, has been appointed a director and chairman of Vauxhall. Mr Ken Fraser, who retired as chairman, remains a non-executive director.

Mr George Dewa has been appointed group vice-chairman of The Second Alliance Trust Company in place of Mr David McCurrah who is to retire but remain a director.

Mr Nicolas M. Georgiadis has been appointed vice-chairman of the Wabco Automotive Products Group.

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Lonrho, Dowty and economic signs aplenty

Two of the more important factors to affect profits last year is shown up in the two major companies reporting this week.

Full-year figures from Lonrho should to some extent begin to reflect the improvement achieved by the rise in precious metals last year; while Dowty Group's profits will show the damage caused to yet another major engineering company by the engineers' strike back in October.

It is a busy week on the economic indicator front, starting today with the United Kingdom official reserves for January from the Treasury. This is followed by the HP and other instalment figures for January from the Department of Trade and the Retail Sales for December, also from the DTI. Tuesday sees the United Kingdom's eligible liabilities, reserve assets, reserve ratios and special deposits for mid January from the Bank of England, along with the London clearing banks' monthly statement also for mid January.

On Wednesday, the CBI industrial trends survey is published, as well as housing-start figures from the Department of the Environment and, finally, on Thursday the Department of Industry will release provisional figures of vehicle production for January.

Full-year figures from Lonrho today are expected to show the benefit of recent rises in the value of base metals, which took place during the last quarter of last year.

Pre-tax profits for the full year to September 30, are ranged between £90m and £100m with the bulk of analysts going for £94m. The main reason for the wide range is that most observers are unable to judge just how much the profits



Sir Robert Hunt, chairman of Dowty Group.

will be reduced by depreciation. Nevertheless, production from the group's Cororation interests, which mines platinum and gold, as well as its silver output from Ashanti will be up.

While its recent acquisition SUITS was treated as an associate company for the first six months and the second half should see it incorporated as a subsidiary with an improvement in its profit contribution.

On the other side of the coin, a downturn in its Nigerian operations connected with Nigeria can be expected.

Elsewhere, its United Kingdom hotels and Volkswagen operations should have enjoyed a good year but Dunford and Elliot will have experienced a downturn.



Mr Gordon Hunter, chairman of Hillards.

Also reporting on Monday is Hillards the Yorkshire-based supermarket group. Interim profits for the six months to October 30, should rise from £1.2m to £1.5m with about £3m to £3.5m anticipated for the full year.

The company continues to grow at a healthy rate, mostly unaffected by the price-cutting war which has upset some of the major supermarket groups. Nevertheless, competition between the smaller regional companies remains fierce.

The management decision to maintain its regional policy has been reinforced by its latest new store opened recently in November in Huddersfield.

However, prospects for the current year look tough with signs of a new price war not helped by the recent cut back in consumer spending and the squeeze on margins.

Finally, on Wednesday

Interim profits from Dowty Group should see its figure about level with last year's of £14.1m.

Although, some observers would not be surprised to see a downturn. This has been borne out by the share price which has looked nervous ahead of the figures.

Fears existed that the group may be forced to pay a penalty clause as a result of the engineering strike, on its large Chinese contract, valued at £70m, to supply roof supports.

The second half should see some ground made up with a good contribution for the aerospace division although its mining supplies operations might experience some slowdown in growth unless it can find a replacement for the Chinese contract. Nevertheless, profits for the full year should exceed last year's figure of £31m rising to the £35m mark.

Interims: Apex Props, Hillards, Vibroplant Hides, Whitworth Elect. Finids, Lonrho, Pentland Inv Tst, UC Inv.

TOMORROW: Interims: Courch Gp, Steinberg Gp, Unitech. Finals: Aeronson Bros, Assoc Fish, English and New York.

WEDNESDAY: Interims: Benn Bros, Carrington Inv, Dowty Gp, Mining Supplies, Progressive Ser. Inv Tst (9-mth), Smith Bros, United Dominions Trust, United Trust, Williamson Tst Hides.

THURSDAY: Interims: Mountleigh Gp, Ransom (Wm). Finals: Asea, Plastic Constructions, Scottish Agric Inds.

FRIDAY: Interims: Capital Reserve Fd, Watnam's. Final: Hirst and Medford.

Michael Clark

Vectos Stone Group hopes to match record

First quarter trading for Vectos Stone Group, the Isle of Wight-based building products and services to fuel distribution group, has been satisfactory, said Mr Alford Collins, chairman, in his annual statement.

Although high interest rates and possible cuts in public spending make it even more difficult to forecast results for the current year, the board anticipates profits of not less than the 1978/9 record results of £55,000 compared with £59,000 the previous year.

UNIGATE Group's 29m purchase from Allied Breweries of European meat manufacturing interests of J. Lyons has been cleared by Office of Fair Trading. Mr John Nott, Secretary for Trade, has decided not to refer takeover to Monopolies Commission.

CENTRAL WFO & TRADING Group has caused to trade in flat rolled steel products, which will improve finances by about £3m in cash terms. Property sales and reserves about £2m. Undoubtedly 1980 is going to herald

changes in our Group structure, changes which I am sure will be for good of us all", chairman says.

KEEP INVESTMENT TRUST Valid applications were received for a total of 11.21m shares. Applications for minimum of 3,000 shares will be allotted in full. All other applications will be reduced by 11 per cent.

BRIGRAY GROUP Turnover for half-year to October 19, £5m (£1.24m). Pre-tax profit, £3,000 (lost, £1,000). No interim payment (same).

RANK-INGLAM Organisation's offer for R. E. Ingram accepted for 100 per cent of shares and unconditional.

BRITISH AMERICAN TRUST Gross revenue of British American and General Trust for 1979 up from £1.91m to £2.15m. Total dividend, 3p gross (2.68p).

FITCH LOVELL Agreement has been reached for purchase of United Kingdom business and assets of Wightson Dairyhouse Division of Wightson Nma of New Zealand. Price payable in cash will be £350,000 with a further amount for net current assets.

LOUIS C. EDWARDS International merchants Dalcy is selling its frozen foods subsidiary to Louis C. Edwards for its net asset value of £250,000 cash. The offshoot is being bought by Edwards' newest subsidiary Cordon Bleu Freezer Foods and will in-

crease this division to 79 stores with annual sales of around £30m.

RADIO RENTALS (HOLDINGS) Turnover for half-year to September 30, up from £67.7m to £75.32m. Pre-tax profits rose from £18.56m to £21.62m. Company is subsidiary of Robert Electronics.

LEVERS OPTICAL Levers Optical announces that an agreement has been signed with the UKO International Group whereby the whole of the business (Manufacturing) and the Willsons Optical Works are to be transferred to a Company within the UKO International Group.

PIC PETROLEUM Petrol meeting of Pic Petroleum held that the board is seeking a Stock Exchange listing under rule 163(3).

The group was formed as a private company by Noble Grossart, the Edinburgh merchant banking group, will be involved in driving at least three new wells this year. Endowment is available both a with-profits or non-profits contract are non-starters as regards cost.

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Stock Exchange Price

Capitalization and week's change

ACCOUNT DAYS: Dealings Began, Jan 28. Dealings End, Feb 8. Contango Day, Feb 11. Settlement Day, Feb 14

§ Forward bargains are permitted on two previous days

(Current market price multiplied by the number of shares in issue for the stock quoted)

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